

CITY OF GRANITE CITY, ILLINOIS
BASIC FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT

APRIL 30, 2010

Prepared By:
Scott Oney – Comptroller
City of Granite City, Illinois

CITY OF GRANITE CITY, ILLINOIS
TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)	2-6
BASIC FINANCIAL STATEMENTS:	
Statement of Net Assets	7
Statement of Activities	8
Balance Sheet - Governmental Funds	9
Reconciliation of the Governmental Funds Balance Sheet to Statement of Net Assets	10
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	11
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	12
Statement of Net Assets - Proprietary Fund Types	13
Statement of Revenues, Expenses and Changes in Net Assets - Proprietary Fund Types	14
Statement of Cash Flows - Proprietary Fund Types	15
Statement of Fiduciary Net Assets - Fiduciary Funds - Pension Trust Funds	16
Statement of Changes in Fiduciary Net Assets - Fiduciary Funds - Pension Trust Funds	17
NOTES TO BASIC FINANCIAL STATEMENTS	18-39
REQUIRED SUPPLEMENTARY INFORMATION:	
Budgetary Comparison Schedule (Budgetary Basis) - General Fund	40
Budgetary Comparison Schedule (Budgetary Basis) - Motor Fuel Tax Fund	41
Budgetary Comparison Schedule (Budgetary Basis) - Tax Increment Financing Fund	42
Schedule of Police and Firemen's Pension - Funding Progress and Employer Contributions	43
Schedule of Illinois Municipal Retirement - Funding Progress and Employer Contributions	44

COMBINING AND INDIVIDUAL FUND STATEMENTS:

Combining Balance Sheet - Non-Major Governmental Funds	45
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds	46
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Proprietary Funds	47
Combining Statement of Fiduciary Net Assets - Fiduciary Funds	48
Combining Statement of Changes in Fiduciary Net Assets - Fiduciary Funds	49
Combining Balance Sheet - Tax Increment Financing Funds	50
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Tax Increment Financing Funds	51

OTHER SUPPLEMENTAL INFORMATION:

Independent Auditor's Report on Compliance with Tax Increment Financing Act	52
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	53
Report on Compliance with Requirements Applicable to each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	54
Schedule of Expenditures of Federal Awards	55
Notes to Schedule of Expenditures of Federal Awards	56
Schedule of Findings and Questioned Costs	57

Hughes & Associates

Certified Public Accountants, P.C.

1321 D'Adrian Professional Park
Godfrey, IL 62035

618-466-6278
Fax 618-466-8663

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Granite City, Illinois

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Granite City, Illinois as of and for the year ended April 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Granite City, Illinois' management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Granite City, Illinois, as of April 30, 2010, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2010 on our consideration of the City of Granite City, Illinois' internal control over financial reporting and on our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis (pages 2 to 6), budgetary comparison information (pages 40 to 42) and schedules of funding progress and employer contributions (pages 43 to 44) are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Granite City, Illinois' basic financial statements. The combining nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also a required part of the basic financial statements of the City of Granite City, Illinois. The combining nonmajor fund financial statements and schedule of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Hughes & Associates, CPA, P.C.

Hughes & Associates, CPA, P.C.

CITY OF GRANITE CITY, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

This section of the City of Granite City's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended April 30, 2010. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City of Granite City exceeded its liabilities at the close of the most recent fiscal year by \$39.2 million.
- The City's total net assets decreased by \$1.6 million during the current fiscal year.
- At the close of the current fiscal year, the City of Granite City's governmental funds reported combined ending fund balances of \$16.6 million. Approximately \$5.6 million is available for spending at the City's discretion.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$4.8 million or 21% of total general fund expenditures.
- In the City's business-type activities, revenues exceeded expenses and net assets increased by \$2.6 million.
- The City continued work on the Pontoon Road overpass project.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts: 1) management's discussion and analysis (this section), 2) the basic financial statements, 3) required supplementary information, and 4) an optional section that presents combining statements for nonmajor governmental funds and other information helpful in understanding the finances of the City of Granite City.

The first two statements in the report are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements.

The government-wide financial statements distinguish functions of the City of Granite City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-like activities). The governmental activities include general government, public safety and public works. The business-type activities are comprised of the wastewater treatment plant fund.

The government-wide financial statements can be found on pages 7 and 8 of this report.

Fund financial statements focus on individual parts of the City government, reporting the City's operations in more detail than the government-wide statements. Types of funds include governmental, proprietary and fiduciary.

Governmental fund statements tell how general government services like public safety were financed in the short term as well as what remains for future spending. The City of Granite City maintains seven individual governmental funds; three are considered to be major funds: the general fund, the motor fuel tax fund and the TIF (tax increment financing) fund. Information on major funds is presented separately; data from the other four funds is combined and included in "Other Governmental Funds". Governmental fund statements can be found on pages 9 and 11 of this report. Individual data for the "total non-major governmental funds" is provided in the form of combining statements on pages 45 and 46 of this report.

Proprietary fund statements offer short and long-term financial information about the activities the City operates like businesses. For the City of Granite City, the wastewater treatment plant fund is the proprietary fund. The basic financial statements for this fund can be found on pages 13 to 15 of this report.

CITY OF GRANITE CITY, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Fiduciary fund statements provide information about the financial relationships in which the City acts solely as a trustee or agent for the benefit of others, such as the police and firemen pension funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's programs. The basic fiduciary fund statements can be found on pages 16 and 17 of this report.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net Assets

Over time, net assets may serve as a useful indicator of a government's financial position. At April 30, 2010, the City of Granite City's assets exceeded liabilities (net assets) by \$39.2 million.

Approximately 95% of the City of Granite City's net assets reflect its investment in capital assets (e.g., land, building, machinery, and equipment), less any related debt that is still outstanding. The City of Granite City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Granite City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Granite City's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the government's ongoing obligations to citizens and creditors.

City of Granite City's Net Assets

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Current and Other Assets	\$ 29,494,430	\$ 29,173,011	\$ 6,971,343	\$ 5,531,441
Capital Assets	43,098,410	30,309,520	16,425,844	14,527,801
Total Assets	<u>72,592,840</u>	<u>59,482,531</u>	<u>23,397,187</u>	<u>20,059,242</u>
Other Liabilities	17,194,123	13,367,090	1,515,411	1,337,399
Long-Term Liabilities Outstanding	33,581,849	20,130,211	4,469,984	3,891,239
Total Liabilities	<u>50,775,972</u>	<u>33,497,301</u>	<u>5,985,395</u>	<u>5,228,638</u>
Net Assets:				
Investing in Capital Assets, Net				
of Related Debt	26,282,389	19,226,147	11,642,029	8,463,168
Restricted	7,308,867	7,044,510	-	-
Unrestricted	(11,774,388)	(285,427)	5,769,763	6,367,436
Total Net Assets	<u>\$ 21,816,868</u>	<u>\$ 25,985,230</u>	<u>\$ 17,411,792</u>	<u>\$ 14,830,604</u>

At the end of the current fiscal year, the City of Granite City reported a negative balance in the governmental activities unrestricted net assets due to increased investment in capital assets and program costs in excess of revenues.

CITY OF GRANITE CITY, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Changes in Net Assets

Governmental activities decreased the City of Granite City's net assets by \$4,168,362. Revenues in the governmental activities were \$35,932,401 with the largest amounts coming from property taxes, \$8,710,453, sales and use taxes, \$4,335,988 and home rule sales tax \$2,718,820. Total expenditures in the governmental activities were \$39,609,469; with the largest percentage being spent on public safety \$17,544,556. The business-type activities had a increase in net assets of \$2,581,188. This represents expenditures under revenues in the wastewater treatment plant fund. Operating revenues increased by \$1,743,857 to \$7,361,113 with operating expenses decreasing by \$715,301 to \$5,621,583.

A breakdown of the governmental activities revenues is as follows:

	<u>2010</u>	<u>2009</u>
Property Tax	\$ 8,710,453	\$ 8,309,720
Sales and Use Tax	4,335,988	3,767,704
Home Rule Sales Tax	2,718,820	2,603,475
Operating Grants and Contributions	2,567,178	2,373,467
Charges for Services	3,816,846	3,016,129
Replacement Tax	2,563,759	2,896,408
State Income Tax	2,552,397	2,756,540
Capital Grants and Contributions	6,623,459	5,791,428
Telecommunications Tax	887,406	884,772
Miscellaneous	436,828	498,355
Investment Earnings	258,008	318,005
Other State and Local Taxes	461,259	404,854
	<u>\$ 35,932,401</u>	<u>\$ 33,620,857</u>

The following is a breakdown of the governmental activities expenses:

	<u>2010</u>	<u>2009</u>
General Government	\$ 7,321,210	\$ 5,572,616
Public Safety	17,544,556	16,264,066
Public Works	13,478,117	7,809,959
Interest on Long-Term Debt	1,265,586	441,730
	<u>\$ 39,609,469</u>	<u>\$ 30,088,371</u>

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

As of the end of the current fiscal year, the City of Granite City's governmental funds reported combined ending fund balances of \$16,590,722, a decrease of \$2,126,868 in comparison with the prior year. The decrease is primarily due to the spending of funds borrowed by the City in the prior year and the current year of which \$4,223,033 was still available for expenditure at April 30, 2010. The City again spent a significant amount of money on the Pontoon Road overpass. These improvements are being reimbursed with monies from the State that is being deposited into the motor fuel tax fund. The City also expended significant for improvements to the fire and police station, the youth center and cinema. The downtown TIF bonds issue financed these expenditures.

The general fund is the chief operating fund of the City of Granite City. For the year ended April 30, 2010, the City's general fund had a decrease in fund balance of \$1,657,461. At the end of the current fiscal year, unreserved fund balance in the general fund was \$4,773,296, representing 21 percent of total general fund expenditures. This is less than the approximately 27 percent in the prior year.

CITY OF GRANITE CITY, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund spent approximately \$21,822,657 in fiscal year 2010 under the budgetary basis of accounting. This amount was less than the City's budgeted expenses of approximately \$22,841,614. In addition, current year receipts were approximately \$21,902,593, which was short of budgeted amounts by \$958,238. This resulted in a deficit of \$718,452 in the General Fund using the budgetary basis of accounting.

CAPITAL ASSETS

The City of Granite City's investment in capital assets for its governmental and business-type activities as of April 30, 2010 amounts to \$57,580,454 (net of related debt and accumulated depreciation). This investment in capital assets included land, buildings and system improvements, and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total Primary</u> <u>Government</u>
Pontoon Road Overpass	\$ 5,911,997	\$ -	\$ 5,911,997
Police & Fire Building Renovations	779,674	-	779,674
Vehicles	50,687	100,266	150,953
Downtown Cinema	2,981,275	-	2,981,275
Youth Building	302,306	-	302,306
K-9 Police Dogs	25,500	-	25,500
Mockingbird & Statford	102,297	-	102,297
Niedringhaus	195,577	-	195,577
Cleveland Avenue	1,220,710	-	1,220,710
Other Additions	33,253	-	33,253
North Granite Sewer System	-	129,243	129,243
Nameoki Area Sewer System	-	858,365	858,365
Sewer Main 84 & 108 Rivers Edge	-	375,891	375,891
Route 3 Sewer - Joy Avenue	-	145,688	145,688
Water Water Treatment Plant Engineering	-	199,785	199,785
Sewer System Upgrades	-	660,487	660,487
Water Water Treatment Plant Upgrades	-	92,024	92,024
	<u>\$ 11,603,276</u>	<u>\$ 2,561,749</u>	<u>\$ 14,165,025</u>

LONG-TERM DEBT

During the current fiscal year, the City entered into a third loan with IEPA to fund manhole and sewer projects. As of April 30, 2010, the outstanding draws on the new loan were \$1,030,264.

During the current fiscal year the TIF #4, the Route 3 Corridor TIF, issued \$3,640,000 of Local Government Revenue Bonds, which are payable from the incremental revenue of the Route 3 Corridor Tax Increment Financing District. The proceeds of the bond were used to finance redevelopment projects in the District. At April 30, 2010, \$3,148,820 was still available for expenditure in the district.

During the current fiscal year the TIF #4, the Route 3 Corridor TIF, issued \$3,805,000 of Local Government Revenue Bonds, which are payable from the incremental revenue of the Route 3 Corridor Tax Increment Financing District. The proceeds of the bond were used to finance redevelopment projects in the District.

CITY OF GRANITE CITY, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

During the current fiscal year the TIF #7, the Route 203 TIF, issued \$4,210,000 of Local Government Revenue Bonds, which are payable from the incremental revenue of the Route 203 Tax Increment Financing District. The proceeds of the bond are to be used to finance redevelopment projects in the District. At April 30, 2010, \$2,517,679 was still available for expenditure in the district.

Also, during the current fiscal year the city borrowed \$85,095 through lease purchase transactions to finance the acquisition of a Mack truck from Kansas State Bank. The balance of the loan was \$56,279 at April 30, 2010.

The City paid \$407,103 of principal on the sewer departments three IEPA loans during the year. The balance of the three loans was \$4,727,536 at April 30, 2010.

The City also paid down \$288,866 of principal on various smaller debt obligations. The balance in these obligations, including the current year additions, was \$1,014,507 at April 30, 2010.

The City's unfunded police and fire pension obligations increased \$3,218,772 during the year ended April 30, 2010.

In addition, the City's obligation for compensated employee absences decreased \$6,020 in the sewer funds and increased \$28,698 in the general funds.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Granite City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Comptroller's Office, 2000 Edison Avenue, Granite City, IL 62040.

CITY OF GRANITE CITY, ILLINOIS
STATEMENT OF NET ASSETS
APRIL 30, 2010

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 5,739,360	\$ 1,122,133	\$ 6,861,493
Certificates of Deposit	1,638,315	2,445,560	4,083,875
Restricted Investments	7,296,367	-	7,296,367
Investments	80,000	227,096	307,096
Receivables (Net of Allowance for Uncollectibles)	14,305,442	3,110,970	17,416,412
Internal Advances to Other Funds	233,063	-	233,063
Prepaid Expenses and Deposits	201,883	65,584	267,467
Total Current Assets	<u>29,494,430</u>	<u>6,971,343</u>	<u>36,465,773</u>
Noncurrent Assets:			
Bond Issuance Cost and Discount (Net of Accumulated Amortization)	414,184	-	414,184
General Real Estate Investment	1,529,616	-	1,529,616
Capital Assets (Net of Accumulated Depreciation)	41,154,610	16,425,844	57,580,454
Total Noncurrent Assets	<u>43,098,410</u>	<u>16,425,844</u>	<u>59,524,254</u>
Total Assets	<u>72,592,840</u>	<u>23,397,187</u>	<u>95,990,027</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	5,162,983	812,315	5,975,298
Accrued Workman's Compensation	1,430,593	-	1,430,593
Accrued Vacation Leave	591,195	95,605	686,800
Accrued Interest Payable	475,217	34,500	509,717
Due to Other Funds	159,103	73,960	233,063
Other Accrued Obligations	22,760	-	22,760
Deferred Gain on Sale	35,381	-	35,381
Deferred Real Estate Taxes	8,599,718	-	8,599,718
Bonds/Notes Payable - Current Portion	717,173	499,031	1,216,204
Total Current Liabilities	<u>17,194,123</u>	<u>1,515,411</u>	<u>18,709,534</u>
Noncurrent Liabilities:			
Bonds/Notes Payable - Noncurrent Portion	20,682,472	4,284,784	24,967,256
Accrued Sick Leave	2,261,067	185,200	2,446,267
Net Pension Obligation	10,638,310	-	10,638,310
Total Noncurrent Liabilities	<u>33,581,849</u>	<u>4,469,984</u>	<u>38,051,833</u>
Total Liabilities	<u>50,775,972</u>	<u>5,985,395</u>	<u>56,761,367</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	26,282,389	11,642,029	37,924,418
Restricted for:			
Debt Service	3,073,334	-	3,073,334
Parks	12,500	-	12,500
Redevelopment	4,223,033	-	4,223,033
Unrestricted:	<u>(11,774,388)</u>	<u>5,769,763</u>	<u>(6,004,625)</u>
Total Net Assets	<u>\$ 21,816,868</u>	<u>\$ 17,411,792</u>	<u>\$ 39,228,660</u>

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS
STATEMENT OF ACTIVITIES
YEAR ENDED APRIL 30, 2010

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Governmental Activities:						
General Government	\$ 7,321,210	\$ 1,692,861	\$ 121,259	\$ -	\$ (5,507,090)	\$ (5,507,090)
Public Safety	17,544,556	1,547,688	968,163	-	(15,028,705)	(15,028,705)
Public Works	13,478,117	576,297	1,477,756	6,623,459	(4,800,605)	(4,800,605)
Interest on Long-Term Debt	1,265,586	-	-	-	(1,265,586)	(1,265,586)
Total Governmental Activities	39,609,469	3,816,846	2,567,178	6,623,459	(26,601,986)	(26,601,986)
Business-Type Activities:						
Wastewater	5,730,855	7,361,113	-	424,525	-	2,054,783
Total Business-Type Activities	5,730,855	7,361,113	-	424,525	-	2,054,783
Total	\$ 45,340,324	\$ 11,177,959	\$ 2,567,178	\$ 7,047,984	(26,601,986)	(24,547,203)
General Revenues:						
Property Tax, Levied for General Purposes					8,710,453	8,710,453
Home Rule Sales Tax					2,718,820	2,718,820
Sales and Use Tax					4,335,988	4,335,988
Replacement Tax					2,563,759	2,563,759
State Income Tax					2,552,397	2,552,397
Telecommunications Tax					887,406	887,406
Other State and Local Taxes					461,259	461,259
Investment Earnings					258,008	293,119
Miscellaneous					436,828	436,828
Transfers - Internal Activity					(491,294)	-
Total General Revenues and Transfers					22,433,624	22,960,029
Change in Net Assets					(4,168,362)	(1,587,174)
Net Assets - Beginning					25,985,230	40,815,834
Net Assets - Ending					\$ 21,816,868	\$ 39,228,660

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS
BALANCE SHEET - GOVERNMENTAL FUNDS
APRIL 30, 2010

	<u>General</u>	<u>Motor</u>	<u>Tax Increment</u>	<u>Total</u>	<u>Total</u>
	<u>Fund</u>	<u>Fuel Tax</u>	<u>Financing</u>	<u>Non-Major</u>	<u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Governmental</u>	<u>Governmental</u>
				<u>Funds</u>	<u>Funds</u>
ASSETS					
Cash and Cash Equivalents	\$ 2,899,851	\$2,139,664	\$ 539,267	\$ 160,578	\$ 5,739,360
Restricted Investments	-	-	7,296,367	-	7,296,367
Certificates of Deposit	1,638,315	-	-	-	1,638,315
Investments	-	-	-	80,000	80,000
Receivables (Net of Allowances for Uncollectibles):					
Property Taxes	4,556,492	-	4,043,226	-	8,599,718
Intergovernmental	3,160,636	1,106,027	331,136	49,893	4,647,692
Other	1,002,347	3,867	51,795	23	1,058,032
Due from Other Funds	219,819	-	2,760	10,484	233,063
Prepaid Expenses and Deposits	201,883	-	-	-	201,883
Rental Real Estate Investment	-	-	2,667,631	-	2,667,631
General Real Estate Investment	-	-	1,529,616	-	1,529,616
Total Assets	<u>13,679,343</u>	<u>3,249,558</u>	<u>16,461,798</u>	<u>300,978</u>	<u>33,691,677</u>
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts Payable	1,208,545	2,500,172	1,451,232	3,034	5,162,983
Accrued Employee Obligations	1,430,593	-	-	-	1,430,593
Due to Other Funds	-	-	15,240	143,863	159,103
Other Accrued Obligations	20,000	-	2,760	-	22,760
Deferred Gain on Sale	-	-	35,381	-	35,381
Deferred Revenue	6,246,909	-	4,043,226	-	10,290,135
Total Liabilities	<u>8,906,047</u>	<u>2,500,172</u>	<u>5,547,839</u>	<u>146,897</u>	<u>17,100,955</u>
Fund Equity:					
Restricted for:					
Redevelopment	-	-	4,223,033	-	4,223,033
Parks	12,500	-	-	-	12,500
Debt Service	-	-	3,073,334	-	3,073,334
Unreserved:					
Undesignated	4,760,796	-	-	-	4,760,796
Designated for Redevelopment	-	-	3,617,592	-	3,617,592
Unreserved, Reported in:					
Special Revenue Funds	-	749,386	-	175,358	924,744
Capital Projects Funds	-	-	-	(21,277)	(21,277)
Total Fund Equity	<u>4,773,296</u>	<u>749,386</u>	<u>10,913,959</u>	<u>154,081</u>	<u>16,590,722</u>
Total Liabilities and Fund Equity	<u>\$ 13,679,343</u>	<u>\$3,249,558</u>	<u>\$ 16,461,798</u>	<u>\$ 300,978</u>	<u>\$ 33,691,677</u>

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET ASSETS
YEAR ENDED APRIL 30, 2010

Amounts reported for governmental fund balances are different because:

Fund Balances - total governmental funds	\$ 16,590,722
Capital assets used in governmental activities are not financial resources and, therefore, are not reported on the balance sheet of the governmental funds.	41,154,610
Bond issuance costs and similar items and the corresponding accumulated amortization are not reported on the balance sheet of governmental funds.	414,184
Rental Real Estate Investments are recorded as capital assets and depreciated and not maintained as investment real estate.	(2,667,631)
The amount of compensated absences is not recorded as a liability on the balance sheet of the governmental funds.	(2,852,262)
Long-term debt (e.g., bonds, notes payable, capital leases) is not reported as a liability on the balance sheet of the governmental funds.	(21,399,645)
Net pension obligations are not reported as a liability on the balance sheet of the governmental funds.	(10,638,310)
Accrued interest payable on the long-term debt is not reported as a liability on the balance sheet of the governmental funds.	(475,217)
The governmental funds report deferred revenue when reported assets are not available to pay current liabilities. The statement of activities eliminates deferred revenue related to state and local sales taxes.	<u>1,690,417</u>
Net assets of governmental activities	<u>\$ 21,816,868</u>

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED APRIL 30, 2010

	<u>General</u> <u>Fund</u>	<u>Motor</u> <u>Fuel Tax</u> <u>Fund</u>	<u>Tax Increment</u> <u>Financing</u> <u>Fund</u>	<u>Total</u> <u>Non-Major</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Revenues:					
Property Taxes	\$ 5,053,570	\$ -	\$ 3,656,883	\$ -	\$ 8,710,453
Intergovernmental:					
Home Rule Sales Tax	2,683,128	-	-	-	2,683,128
Sales and Use Tax	3,522,276	-	788,850	-	4,311,126
Replacement Tax	2,563,759	-	-	-	2,563,759
State Income Tax	1,853,144	-	-	-	1,853,144
Motor Fuel Tax	-	789,946	-	-	789,946
Telecommunications Tax	893,811	-	-	-	893,811
Grants	967,180	6,623,459	-	810,052	8,400,691
Other	143,592	-	-	-	143,592
Other Local Taxes	317,667	-	-	-	317,667
Licenses and Permits	590,279	-	-	-	590,279
Charges for Services	3,039,508	-	-	-	3,039,508
Fines and Forfeits	163,660	-	-	23,399	187,059
Investment Earnings	198,816	19,679	39,021	492	258,008
Miscellaneous	203,882	-	231,034	3,782	438,698
Total Revenues	<u>22,194,272</u>	<u>7,433,084</u>	<u>4,715,788</u>	<u>837,725</u>	<u>35,180,869</u>
Expenditures:					
Current:					
General Government	4,631,313	-	2,500,786	-	7,132,099
Public Safety	13,419,024	-	-	488,598	13,907,622
Public Works	5,082,944	622,962	-	276,284	5,982,190
Debt Service:					
Bond Issuance Cost	-	-	311,951	-	311,951
Bond Administration Costs	-	-	7,300	-	7,300
Principal	-	-	530,000	288,866	818,866
Interest	-	-	1,014,802	35,878	1,050,680
Capital Outlay	-	6,454,285	12,459,878	-	18,914,163
Total Expenditures	<u>23,133,281</u>	<u>7,077,247</u>	<u>16,824,717</u>	<u>1,089,626</u>	<u>48,124,871</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(939,009)</u>	<u>355,837</u>	<u>(12,108,929)</u>	<u>(251,901)</u>	<u>(12,944,002)</u>
Other Financing Sources (Uses):					
Proceeds From Borrowings	-	-	11,655,000	-	11,655,000
Bond Discount	-	-	(346,572)	-	(346,572)
Operating Transfers In (Out)	<u>(718,452)</u>	<u>-</u>	<u>(97,586)</u>	<u>324,744</u>	<u>(491,294)</u>
Total Other Financing Sources (Uses)	<u>(718,452)</u>	<u>-</u>	<u>11,210,842</u>	<u>324,744</u>	<u>10,817,134</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures and Other Financing Uses	<u>(1,657,461)</u>	<u>355,837</u>	<u>(898,087)</u>	<u>72,843</u>	<u>(2,126,868)</u>
Fund Balance - Beginning	<u>6,430,757</u>	<u>393,549</u>	<u>11,812,046</u>	<u>81,238</u>	<u>18,717,590</u>
Fund Balance - Ending	<u>\$ 4,773,296</u>	<u>\$ 749,386</u>	<u>\$ 10,913,959</u>	<u>\$ 154,081</u>	<u>\$ 16,590,722</u>

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED APRIL 30, 2010

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	(2,126,868)
--	----	-------------

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets for which funds were expended this year.		11,603,276
--	--	------------

Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore depreciation expense is not reported as an expenditure in the governmental funds.		(756,316)
--	--	-----------

The amount of compensated absences is not recorded as expense in the fund financial statements. In the statement of activities, these amounts are included and recorded currently in the various functional expense categories. This amount is the difference between beginning and ending compensated absences balance that has been included in the statement of activities.		(28,697)
--	--	----------

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transactions, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt.		(10,223,426)
---	--	--------------

Interest accrued but not paid is not recorded as an expense until paid. This is the change in accrued interest payable between years.		(169,091)
---	--	-----------

Net pension obligations are reported in the government-wide statement of activities and changes in net assets, but do not require the use of current financial resources; therefore, net pension obligations are not reported as expenditures in governmental funds. This is the change in the net pension obligation between years.		(3,218,772)
--	--	-------------

Capital assets disposed of during the year are reported on the government-wide statement of activities and changes in net assets, but their disposal does not required the use of current financial resources. Therefore, the cost of the item disposed of is not reported in the governmental funds.		(1,870)
---	--	---------

The governmental funds report deferred revenue when reported assets are not available to pay current liabilities. The statement of activities eliminates deferred revenue related to state and local sales taxes. This is the difference of deferred revenue for the sales and use tax from the beginning and end of the year.		753,402
--	--	---------

Change in net assets of governmental activities	\$	(4,168,362)
---	----	-------------

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS
STATEMENT OF NET ASSETS
PROPRIETARY FUND TYPES
APRIL 30, 2010

	<u>Business Type</u> <u>Activities</u>	<u>Enterprise Funds</u> <u>Waterwater</u>
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$	1,122,133
Certificates of Deposit		2,445,560
Investments		227,096
Accounts Receivable (Net of Allowance for Uncollectibles)		2,188,293
Grant Receivable		915,819
Interest Receivable		6,858
Prepaid Expenses		65,584
Total Current Assets		<u>6,971,343</u>
Noncurrent Assets:		
Capital Assets:		
Construction in Process		2,468,777
Building and Improvements		1,728,589
Treatment Facility and Lines		31,470,844
Equipment		1,866,277
Vehicles		1,260,071
Total		<u>38,794,558</u>
Less Accumulated Depreciation		<u>(22,368,714)</u>
Net Capital Assets		<u>16,425,844</u>
Total Assets		<u>23,397,187</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable		812,315
Accrued Vacation Leave		95,605
Due to Other Funds		73,960
Accrued Interest		34,500
Notes Payable		499,031
Total Current Liabilities		<u>1,515,411</u>
Noncurrent Liabilities:		
Accrued Sick Leave		185,200
Notes Payable		4,284,784
Total Noncurrent Liabilities		<u>4,469,984</u>
Total Liabilities		<u>5,985,395</u>
NET ASSETS		
Invested in Capital Assets, Net of Related Debt		11,642,029
Unrestricted		5,769,763
Total Net Assets	\$	<u>17,411,792</u>

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED APRIL 30, 2010

	<u>Business Type</u> <u>Activities</u>
	<u>Enterprise Fund</u> <u>Waterwater</u>
Operating Revenues:	
Charges for Services	\$ 7,361,113
Total Operating Revenues	<u>7,361,113</u>
Operating Expenses:	
Personal Services	2,589,405
Industrial Pretreatment	86,061
Billings and Collection	156,084
Sewer Collection	611,280
Solids Handling	620,587
BOD Treatment	295,865
Primary Treatment	32,232
General and Administration	201,674
Dry Weather Pumping	195,231
Wet Weather Pumping	124,342
Other	45,116
Depreciation	663,706
Total Operating Expenses	<u>5,621,583</u>
Operating Income (Loss)	<u>1,739,530</u>
Non-Operating Revenues (Expenses)	
Investment Earnings	35,111
Grant Income	424,525
Interest Expense and Fiscal Charges	(109,272)
Operating Transfers From (To) other Funds	491,294
Total Non-Operating Revenues (Expenses)	<u>841,658</u>
Change in Net Assets	2,581,188
Net Assets - Beginning	<u>14,830,604</u>
Net Assets - Ending	<u>\$ 17,411,792</u>

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED APRIL 30, 2010

	<u>Business Type</u> <u>Activities</u>
	<u>Enterprise Fund</u> <u>Waterwater</u>
Cash Flows From Operating Activities:	
Cash Received from Users and Contributors	\$ 5,806,447
Cash Paid to Suppliers for Goods and Services	(2,289,707)
Cash Paid to Employees for Services	(2,595,425)
Net Cash Provided By Operating Activities	<u>921,315</u>
Cash Flows From Noncapital Financing Activities:	
Transfers to/from Other Funds	<u>491,294</u>
Cash Flows From Capital and Related Financing Activities:	
Acquisition and Construction of Capital Assets	(2,561,749)
Proceeds from Borrowings	1,115,359
Principal Paid on Borrowings	(435,919)
Interest Paid on Borrowings	(100,374)
Net Cash (Used) by Capital and Related Financing Activities	<u>(1,982,683)</u>
Cash Flows From Investing Activities:	
Proceeds From Sale of Investments	868,856
Investment Earnings	39,351
Net Cash Provided By Investing Activities	<u>908,207</u>
Net Increase In Cash and Equivalents	338,133
Cash and Equivalents - Beginning	<u>784,000</u>
Cash and Equivalents - Ending	<u><u>\$ 1,122,133</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ 1,739,530
Adjustments to Reconcile Operating Income to Net	
Cash Provided By Operating Activities:	
Depreciation	663,706
Allowance for Doubtful Accounts	1,749
Change in Assets and Liabilities:	
(Increase) in Accounts Receivable	(1,065,121)
(Increase) in Grant Receivable	(491,294)
(Increase) in Prepaid Expenses	4,326
Increase in Accounts Payable	74,439
Increase in Other Liabilities	(6,020)
Net Cash Provided By Operating Activities	<u><u>\$ 921,315</u></u>

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS - PENSION TRUST FUNDS
APRIL 30, 2010

ASSETS

Cash and Cash Equivalents	\$ 1,272,824
Investments and Certificates of Deposit	29,278,046
Receivables:	
Property Taxes	787,903
Accrued Interest	129,488
Total Assets	<u>31,468,261</u>

LIABILITIES

Liabilities	<u>50</u>
Total Liabilities	<u>50</u>

NET ASSETS

Held in Trust for Pension Benefits and Other Purposes	<u>\$ 31,468,211</u>
---	----------------------

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS - PENSION TRUST FUNDS
APRIL 30, 2010

Additions:

Contributions:

Employee Contributions	\$ 667,723
Employer Contributions:	
Property Taxes	779,796
Replacement Taxes	714,876
Total Contributions	<u>2,162,395</u>

Investment Income:

Interest and Dividends	742,347
Net Realized/Unrealized Gain(Loss) on Investments	4,281,641
	5,023,988
Less: Investment Expense	<u>(100,398)</u>
Total Investment Income	4,923,590
 Total Additions	 <u>7,085,985</u>

Deductions:

Benefit Payments	4,348,332
Contractual Services	<u>58,469</u>
Total Deductions	<u>4,406,801</u>

Change in Net Assets	2,679,184
Net Assets - Beginning	<u>28,789,027</u>
Net Assets - Ending	<u>\$ 31,468,211</u>

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2010

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The City of Granite City, Illinois (the City) was incorporated March 9, 1896 under the provisions of "an act to provide for the incorporation of cities and villages". The City is a Home Rule Unit under the provision of Article 7 of the Illinois Constitution of 1970. The City operates under the aldermanic-city form of government and provides the following services as authorized by its charter: public improvements, planning and zoning, wastewater treatment and general administrative services.

The financial statements of the City of Granite City (government) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Financial Reporting Entity

The City's financial statements include the accounts of all City operations. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The City holds the corporate powers of the organization
- The City appoints a voting majority of the organization's board
- The City is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the City
- There is fiscal dependency by the organization on the City

Based on the aforementioned criteria, the City has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2010

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

Property taxes, intergovernmental taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized, when applicable, as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the government receives cash.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Motor Fuel Tax Fund accounts for the taxes and reimbursements received and amounts paid related to motor fuel tax expenses.

The Tax Increment Financing Fund accounts for incremental taxes and other revenues as well as all expenses related to improvements and promotional costs related to the tax increment financing areas.

The government reports the following major proprietary funds:

The Wastewater Treatment Plant and Sewer Systems Enterprise Funds account for all activities related to the billing, administration, and distribution and collection processes of the wastewater treatment plant. The City operates the sewage treatment plant, sewage pumping stations and collection systems.

Additionally, the government reports the following fund type:

The Pension Trust Funds account for the activities of the police and firemen's pension funds, which accumulate resources for pension benefit payments to qualified public safety employees.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2010

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are reimbursements between funds for direct costs applicable to the other fund. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contribution, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise fund are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap on fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities and Net Assets or Equity

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits and short-term investments with original maturities of three months or less. Short-term cash surpluses are generally maintained in sweep accounts in the individual funds.

The City is authorized by state statute to invest in obligations of the United States of America, insured interest bearing accounts of banks, savings and loan association or credit unions, certain short-term obligations of corporations organized in the United States, money market mutual funds that invest in obligations of the United State of America or its agencies or are guaranteed by the full faith and credit of the United States of America, the Illinois Funds and repurchase agreements of government securities. The Pension Trust Funds are also allowed to invest limited percentages of their monies in mutual funds and equity securities.

Fixed-income securities are recorded in all funds at fair value. Investment income is recognized as earned. Gains or losses on sales and exchanges of fixed-income securities are recognized on the transaction date.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal advances to other funds."

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2010

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

All intergovernmental and property tax receivables are shown net of an allowance for uncollectible amounts. All accounts receivable related to the enterprise fund are shown at net of an allowance for uncollectible accounts based on managements estimate of collectibility.

Unbilled sewer utility receivables related to the business-type activities are recorded at year-end. They are determined by taking cycle billings subsequent to April 30 and prorating the applicable number of days to the current fiscal year.

The City levied its property taxes in December 2009, based upon the expected assessed valuation as of the January 1, 2010. Property taxes are due in four installments in the following year, and are considered delinquent after the due dates. Property taxes for 2009 become an enforceable lien in January 2010. The County has not mailed tax bills as of April 30, 2010 and past mailing practices of the County have generally been subsequent to April 30 of each year. The City receives significant distributions of tax receipts beginning in late June or early July of each year.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Investment in Real Estate

Through the use of tax increment financing, the City has purchased several parcels of land to be held for resale to developers or individuals in an effort to create future economic growth within the tax increment financing areas of the City.

In addition, the City has certain parcels of improved and unimproved real estate, which are rented to businesses within the tax increment financing areas.

Capital Assets

Capital assets, which include property, buildings, equipment and vehicles, are reported in the applicable governmental-type or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost and estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects when constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Improvements	20 - 75
Treatment Facility	20 - 50
Equipment	5 - 18
Vehicles	5 - 10

Amortization

Bond issuance cost are capitalized and amortized over the life of the bond.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2010

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Under terms of the various City ordinances and negotiated contracts, City employees are granted vacation based on continuous employment service. Employee vacations vest as of their anniversary date. Employees are entitled to sick leave based on completed months of service. The City's policies and negotiated contract provisions regarding sick leave permit employees to accumulate a maximum accumulation of sick leave, usually ninety days. The City cancels accumulated sick leave on the date of employee termination except in the case of qualified retirement or employee death wherein 50% of the accumulated sick leave is paid.

At April 30, 2010, the City estimated that the accumulated liability for unused vacation and sick leave for governmental fund employees totaled \$591,195 and \$2,261,067, respectively. Amounts reflected in the financial statements at April 30, 2010 for enterprise fund employees related to unused vacation and sick leave benefits totaled \$95,605 and \$185,200, respectively.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The City's policy is to first apply restricted resources and then unrestricted resources as expenses are incurred.

The following are descriptions and amounts of all reserves and designations recorded by the City in the fund financial statements:

Governmental Funds

Restricted for Debt Service	\$ 3,073,334
Restricted for Redevelopment	4,223,033
Restricted for Parks	12,500

Fiduciary Funds

Reserved for Employees' Pension Benefits	\$ 31,468,211
--	---------------

E. Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenditures. Actual results could vary from estimates that were used.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2010

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Advertising

Advertising costs of the City are expensed as incurred.

NOTE 2. BUDGETARY AND LEGAL COMPLIANCE

Each year the City Comptroller submits to the City Council a proposed operating budget for the General Fund and the Capital Projects Fund for the fiscal year commencing May 1. The operating budgets include proposed expenditures and the means of financing them. The budgets are legally enacted by ordinance after public hearings are held to obtain taxpayer comments. Annual budgets for Special Revenue Funds are not formally adopted by ordinance at the beginning of the fiscal year, but are approved throughout the fiscal year by formal resolution of the City Council or by City Council approval for the payment of expenditures. Operations in these funds are controlled by project budgets.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- Prior to July 31, the City Comptroller submits to the City Council a proposed operating budget for the General Fund and the Capital Projects Fund for the Fiscal year commencing May 1. The operating budget includes proposed expenditures and the means of financing them.
- A public hearing is conducted to obtain taxpayer comments.
- Prior to August 1, the budget is legally enacted through passage of an ordinance.
- The City Comptroller is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
- Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds and the Capital Projects Fund. Formal budgetary integration is not employed for the Debt Service Fund because effective budgetary control is alternatively achieved through general obligation bond indenture provisions.
- Budgets for all funds are adopted on the cash basis. For financial statement presentation, budgeted amounts are also presented on the cash basis.

The major differences between the budgetary and GAAP basis of accounting are:

- Revenues are recorded when received in cash (budgetary) as opposed to when they are measurable and available (GAAP).
- Expenditures are recorded when paid or when a liability has been incurred which has been budgeted to be paid with expendable financial resources (budgetary), as opposed to when the obligation is incurred (GAAP).

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS

General Government and Business-Like Activities

At April 30, 2010, the carrying amount of the City's deposits was \$10,945,368 and the bank balance was \$11,467,226. The deposits were comprised of checking, interest checking, savings, money market and certificates of deposit.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2010

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City requires that all deposits be fully covered by FDIC insurance or collateralized with investments held by the financial institution in the City's name.

As of April 30, 2010 the City had the following investments:

<u>Investment</u>	<u>Weighted Average Maturity (Years)</u>	<u>Cost</u>	<u>Fair Value</u>
The Illinois Funds (external investment pool)	0.04	\$ 27,096	\$ 27,096
Federal National Mortgage Association	3.12	200,000	200,000
Repurchase Agreements	-	80,000	80,000
UMB Money Market	-	7,296,367	7,296,367
Total Investments		<u>\$ 7,603,463</u>	<u>7,603,463</u>
Deposits as Reported Above			<u>10,945,368</u>
Total Deposits and Investments			<u>\$18,548,831</u>
As Reported in the Statement of Net Assets:			
Cash and Cash Equivalents			\$ 6,861,493
Certificates of Deposit			4,083,875
Restricted Investments			7,296,367
Investments			307,096
			<u>\$18,548,831</u>

Interest Rate Risk

The City's investment policy limits investment maturities in order to maintain sufficient liquidity to reflect the cash flow needs of the fund type being invested. The policy also requires diversification of the investment portfolio via length of maturity as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

As of April 30, 2010, the credit rating of the City's investment was as follows:

<u>Investment</u>	<u>Standard & Poor's Rating</u>	<u>Moody's Investors Service Rating</u>
The Illinois Funds (external investment pool)	AAAm	--
Federal National Mortgage Association	AAA	Aaa

Concentration of Credit Risk

As of April 30, 2010, the City did not have a concentration of credit risk.

Foreign Currency Risk

As of April 30, 2010, the City did not have foreign currency risk.

Fire Pension Fund

At April 30, 2010, the carrying amount of the Fire Pension Fund's deposits was \$520,203 and the bank balance was \$524,366. The deposits were comprised of interest checking, money market and certificates of deposit.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2010

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Fire Pension's deposits may not be returned to it. The Fire Pension requires that all deposits be fully covered by FDIC insurance or collateralized with investments held by the financial institution in the Fire Pension Fund's name.

As of April 30, 2010, the City's Fire Pension Fund had the following investments:

<u>Investment</u>	<u>Weighted Average Maturity (Years)</u>	<u>Cost</u>	<u>Fair Value</u>
Federal Home Loan Bank	4.03	\$ 2,172,054	\$ 2,189,177
Federal Home Loan Mortgage Corporation	5.65	455,402	457,217
Federal National Mortgage Association	6.18	1,056,956	1,063,357
Governmental National Mortgage Association	18.37	1,605,462	1,662,653
U.S. V.A. REMIC	18.51	91,647	92,530
U.S. Treasury Notes	4.91	1,325,164	1,335,408
Federal Farm Credit Bank	5.66	697,259	709,314
Federal Agricultural Mortgage Corporation	6.04	252,085	255,633
Money Market Mutual Funds	--	223,361	223,361
Common Stock	--	5,632,036	6,367,059
Mutual Funds	--	1,578,611	1,338,345
Total Investments		<u>\$15,090,037</u>	<u>15,694,054</u>
Deposits as Reported Above			<u>520,203</u>
Total Deposits and Investments			<u>\$16,214,257</u>

As Reported in the Combining Statement of Fiduciary Net Assets:

Cash and Cash Equivalents	\$ 743,563
Investments and Certificates of Deposit	<u>15,470,694</u>
	<u>\$16,214,257</u>

Interest Rate Risk

The Fire Pension Fund's investment policy limits investment maturities in order to maintain sufficient liquidity to reflect the cash flow needs of the fund type being invested. The policy also requires diversification of the investment portfolio via length of maturity as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

As of April 30, 2010, the Fire Pension Fund's investments credit ratings were as follows:

<u>Investment</u>	<u>Poor's Rating</u>	<u>Service Rating</u>
Federal Home Loan Bank	AAA	Aaa
Federal Home Loan Mortgage Corporation	AAA	Not Available
Federal National Mortgage Association	AAA	Aaa
Government National Mortgage Association	Not Available	Not Available
U.S.V.A. REMIC	Not Available	Not Available
U.S. Treasury Notes	AAA	Not Available
Federal Farm Credit Bank	AAA	Aaa
Federal Agricultural Mortgage Corporation	AAA	Not Available

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2010

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Concentration of Credit Risk

As of April 30, 2010, the Fire Pension Fund's investments are concentrated as follows:

<u>Investment</u>	<u>Percentage</u>
Government National Mortgage Association	10.25%
Federal Home Loan Bank	13.50%
Federal Farm Credit Bank	4.37%
Federal National Mortgage Association	6.56%
U.S. V.A. REMIC	0.57%
U.S. Treasury Notes	8.24%
Federal Agricultural Mortgage Corporation	1.58%
Federal Home Loan Mortgage Corporation	2.82%

Foreign Currency Risk

As of April 30, 2010, the Fire Pension Fund did not have foreign currency risk.

Police Pension Fund

At April 30, 2010, the carrying amount of the Police Pension Fund's deposits was \$731,371 and the bank balance was \$731,451. The deposits were comprised of interest checking, money market and certificates of deposit.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the Police Pension Fund's deposits may not be returned to it. The Police Pension Fund requires that all deposits be fully covered by FDIC insurance or collateralized with investments held by the financial institution in the Police Pension Fund's name.

As of April 30, 2010, the Police Pension Fund had the following investments:

<u>Investment</u>	<u>Weighted Average Maturity (Years)</u>	<u>Cost</u>	<u>Fair Value</u>
U.S. Treasury Inflation Index Note	7.72	\$ 307,314	\$ 324,774
U.S. Treasury Strip	3.80	486,623	348,399
U.S. Treasury Bond	6.05	726,500	999,125
Federal National Mortgage Association	9.17	543,633	534,903
Federal Home Loan Bank	9.70	1,103,514	1,230,920
Federal Farm Credit Bank	6.66	515,260	537,621
Government National Mortgage Association	20.70	2,382,514	1,815,134
Cook Cnty, IL School Dist #155 - Municipal Bond	0.59	204,855	282,409
Tennessee Valley Authority	2.88	265,250	280,029
Naperville IL Munie Bond	5.59	299,523	300,228
Schwab US Treasury Money Market	--	663,691	663,691
Mutual Funds	--	5,334,159	6,288,009
Total Investments		<u>\$ 12,832,836</u>	<u>13,605,242</u>
Deposits as Reported Above			<u>731,371</u>
Total Deposits and Investments			<u>\$ 14,336,613</u>
As Reported in the Combining Statement of Fiduciary Net Assets:			
Cash and Cash Equivalents			\$ 529,261
Investments			<u>13,807,352</u>
			<u>\$ 14,336,613</u>

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2010

NOTE 3. CASH AND CASH EQUIVALENTS AND INVESTMENTS (Continued)

Interest Rate Risk

The Police Pension Fund's investment policy limits investment maturities in order to maintain sufficient liquidity to reflect the cash flow needs of the fund type being invested. The policy also requires diversification of the investment portfolio via length of maturity as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

As of April 30, 2010, the Police Pension Fund's investments credit ratings were as follows:

<u>Investment</u>	<u>Standard & Poor's Rating</u>	<u>Moody's Investors Service Rating</u>
Naperville IL Muni Bond	AAA	Aaa
Cook County, IL School District #155 - Municipal Bond	—	Aa3
Tennessee Valley Authority	AAA	Aaa
Federal National Mortgage Association	AAA/A	Aaa/Aa2
Federal Home Loan Bank	AAA	Aaa
Federal Farm Credit Bank	AAA	Aaa
Governmental National Mortgage Association	Not Available	Not Available

Concentration of Credit Risk

As of April 30, 2010, the Police Pension Fund's investments are concentrated as follows:

<u>Investment</u>	<u>Percentage</u>
Government National Mortgage Association	12.66%
U.S. Treasury Strips	2.43%
Federal Home Loan Bank	8.59%
U.S. Treasury Bonds	6.97%
U.S. Treasury Notes	2.27%
Federal National Mortgage Association	3.73%
Federal Farm Credit Bank	3.75%
Tennessee Valley Authority	1.95%
Cook County, IL School District #155 - Municipal Bond	1.97%
Naperville IL Muni Bond	2.09%

Foreign Currency Risk

As of April 30, 2010, the Police Pension Fund did not have foreign currency risk.

NOTE 4. RISK MANAGEMENT

The City began a self-insured workers' compensation program in 2001 by which the City pays claims from general revenues up to a certain amount at which point the City carries excess coverage. The liability for claims experienced as of April 30, 2010 that are to be paid in the subsequent year is \$1,430,593 and is included in accrued employee obligations.

The City is also exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions and natural disasters for which the City carries commercial insurance. There have been no significant reduction in coverage from the prior year and settlements have not exceeded coverage's in the past three years.

CITY OF GRANITE CITY, ILLINOIS
 NOTES TO BASIC FINANCIAL STATEMENTS
 APRIL 30, 2010

NOTE 5. RECEIVABLES

Receivables as of April 30, 2010 for the City, as reported in the statement of net assets, including the applicable allowances for uncollectible accounts, are as follows:

Receivables:	
Sewer User Fees	\$ 2,498,666
Ambulance Fees	1,365,092
Real Estate Taxes	8,599,718
Intergovernmental	4,647,692
Other	1,095,296
Total Receivables	18,206,464
Allowance for Uncollectible Accounts	(790,052)
Net Total Receivables	<u>\$ 17,416,412</u>

Real estate taxes of \$8,599,718 were not available for collection and payment of current liabilities at April 30, 2010 and are reported as deferred revenues. The governmental financial statements reported an additional \$1,690,417 of intergovernmental revenue as deferred income at April 30, 2010.

NOTE 6. RETIREMENT AND PENSION FUND COMMITMENTS

1. Illinois Municipal Retirement Fund

Plan Description

The City's defined benefit pension plan for regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The City's employer plan is affiliated with the Illinois Municipal Retirement (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained on-line at www.imrf.org.

Funding Policy

As set by statute, the City's employer regular plan members are required to contribute 4.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer rate for calendar year 2009 was 7.54 percent of annual covered payroll. The City also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Annual Pension Cost

For fiscal year ending December 31, 2010, the City's annual pension cost of \$443,218 for the Regular plan was equal to the City's required and actual contributions.

Three-Year Trend Information for the Regular Plan

<u>Fiscal Year</u>	<u>Annual</u>	<u>Percentage of</u>	<u>Net Pension</u>
<u>Ending</u>	<u>Pension Cost</u>	<u>APC</u>	<u>Obligation</u>
	<u>(APC)</u>	<u>Contributed</u>	
12/31/09	\$ 443,218	100%	\$ -
12/31/08	491,977	100%	-
12/31/07	423,432	100%	-

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2010

NOTE 6. RETIREMENT AND PENSION FUND COMMITMENTS (Continued)

The required contribution for 2009 was determined as part of the December 31, 2007, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions as December 31, 2006, included (a) 7.5 percent investment rate of return (net of administrative and direct investment expenses), (b) projected salary increases of 4.00% a year, attributable to inflation, (c) additional projected salary increase ranging from 0.4% to 10% per year depending on age and service, attributable to seniority/merit, and (d) post retirement benefit increases of 3% annually. The actuarial value of your employer Regular plan assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period with a 15% corridor between the actuarial and market value of assets. The City's regular plan's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2007, was 23 years.

Funded Status and Funding Progress

As of December 31, 2009, the most recent actuarial valuation date, the regular plan was 78.84 percent funded. The actuarial liability for benefits was \$17,442,056 and the actuarial value of assets was \$13,751,316, resulting in an underfunded actuarial liability (UAAL) of \$3,690,740. The covered payroll (annual payroll of active employees covered by the plan) was \$5,878,221 and the ratio of the UAAL to the covered payroll was 63 percent. In conjunction with the December 2009 actuarial valuation the market value of investments over a five-year period with a 20% corridor between the actuarial and market value of assets. In 2010, the unfunded actuarial accrued liability is being amortized on a level percentage of projected payroll on an open 30 year basis.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

2. Police and Firemen Pension

a. Plan Description and Contributions Information

The Police Pension Plan covers police sworn personnel, which is a defined benefit single-employer pension plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contributions levels are governed by Illinois Compiled Statutes (Chapter 40, Act 5, Article 3) and may be amended only by the Illinois legislature.

The City accounts for the plan as a pension trust fund. The City's payroll for employees covered by the Police Pension Plan for the year ended April 30, 2010 was \$3,712,641 out of a total payroll of \$14,672,218.

At April 30, 2010, the Police Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	60
Current employees:	
Vested	33
Nonvested	24
Total	<u>117</u>

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2010

NOTE 6. RETIREMENT AND PENSION FUND COMMITMENTS (Continued)

The Police Pension Plan provides retirement benefits as well as death and disability benefits. Employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive a monthly retirement benefit of one-half of the monthly salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The monthly pension shall be increased by one-twelfth of 2.5% of such salary for each additional month of service over 20 years up to 30 years to a maximum of 75% of such monthly salary. Employees with at least 8 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced retirement benefit.

The monthly pension of a police officer who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% annually thereafter.

Covered employees are required to contribute 9.91% of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts necessary to finance the plan as actuarially determined by an enrolled actuary. By the year 2033, the City's contributions must accumulate to the point where the past service cost for the Police Pension Plan is fully funded.

Fire-sworn the Firemen's Pension Plan covers personnel, which is defined benefit single-employer pension plan. Although this is a single-employer pension plan, the defined benefits and employee and employer contributions levels are mandated by Illinois Compiled Statutes (Chapter 40, Act 5, Article 4) and may be amended only by the Illinois legislature

The City accounts for the plan as a pension trust fund. The City's payroll for employees covered by the Firemen's Pension Plan for the year ended April 30, 2010 was \$3,789,009 out of total payroll of \$14,672,218.

At April 30, 2010, the Firemen's Pension Plan membership consisted of:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	61
Current Employees:	
Vested	27
Nonvested	<u>32</u>
Total	<u><u>120</u></u>

The following is a summary of the Firefighters' Pension Plan as provided for in the Illinois Compiled Statutes:

The Firemen's Pension Plan provides retirement benefits as well as death and disability benefits. Employees attaining the age of 50 or more with 20 or more years of creditable service are entitled to receive a monthly retirement benefit of one-half of the monthly salary attached to the rank held in the fire service at the date of retirement. The monthly pension shall be increased by one-twelfth of 2.5% of such monthly salary for each additional month over 20 years of service up to 30 years to a maximum of 75% of such monthly salary. Employees with at least 10 years but less than 20 years of credited service may retire at or after age 60 and receive a reduced retirement benefit.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2010

NOTE 6. RETIREMENT AND PENSION FUND COMMITMENTS (Continued)

The monthly pension of a firefighter who retired with 20 or more years of service after January 1, 1977 shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least 55 years, by 3% of the original pension and 3% annually thereafter.

Covered employees are required to contribute 9.455% of their base salary to the Firemen's Pension Plan. If an employee leaves covered employment with less than 20 years of service, accumulated employee contributions may be refunded without accumulated interest. The City is required to contribute the remaining amounts (not less than 8.045%) necessary to finance the plan as actuarially determined by an enrolled actuary. By the year 2033, the City's contributions must accumulate to the point where the past service cost for the Firemen's Pension Plan is fully funded.

b. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed.

Method Used to Value Investments

Fixed-income and equity securities are reported at fair value. Investment income is recognized as earned. Gains and losses on sales and exchanges of fixed-income securities are recognized on the transaction date.

c. Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation for the current year were as follows:

	<u>Police Pension</u>	<u>Firemen's Pension</u>
Annual Required Contribution	\$ 1,907,247	\$ 2,249,466
Interest on Net Pension Obligation	<u>260,127</u>	<u>259,240</u>
Annual Pension Cost	2,167,374	2,508,706
Contributions Made	<u>622,383</u>	<u>834,925</u>
 Increase in Net Pension Obligation	 1,544,991	 1,673,781
Net Pension Obligation Beginning of Year	<u>3,716,105</u>	<u>3,703,433</u>
 Net Pension Obligation End of Year	 <u>\$ 5,261,096</u>	 <u>\$ 5,377,214</u>

The annual required contribution for the current year was determined as part of the April 30, 2009 actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) 7.0% investment rate of return (net of administrative expenses) and (b) projected salary increases of 5.5% per year. Both (a) and (b) included an inflation component of 3.0%. The actuarial value of assets was determined using market values. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at April 30, 2009 was, 24.1699 years.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2010

NOTE 6. RETIREMENT AND PENSION FUND COMMITMENTS (Continued)

Three-Year Trend Information

	Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
Police Pension	04/30/10	\$ 2,167,374	28.72%	\$ 5,261,096
	04/30/09	1,794,658	39.14%	3,716,105
	04/30/08	1,397,252	42.07%	2,623,958
Fire Pension	04/30/09	2,508,706	33.28%	5,377,214
	04/30/09	2,095,326	47.31%	3,703,433
	04/30/08	1,589,692	55.07%	2,599,454

d. Concentration

The City has a concentration of 5% or more investments in the following organizations:

Police Pension:

Oakmark Fund	\$ 996,035
Longleaf Partners	1,020,273
American Fd Growth Fund of America	746,060
Primecap Odessey Growth Fund	761,484
Federal Home Loan Bank	1,230,919
U.S. Treasury Bonds	999,125
Government National Mortgage Association	1,815,125

Fire Pension:

UMB Large Cap Common Stock	6,367,064
UMB Equity Funds Small Cap	1,338,346
Federal National Mortgage Association	1,063,357
Government National Mortgage Association	1,662,655
Federal Home Loan Bank	2,189,176
U.S. Treasury Notes	1,335,406

e. Legally Required Reserves

The City has the following legally required reserves:

Police Pension	\$ 14,694,553
Firemen Pension	16,773,658

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2010

NOTE 7. WASTEWATER TREATMENT PLANT ENTERPRISE FUND

Regionalization of Wastewater Treatment Plant

Pursuant to an intergovernmental cooperation agreement originally agreed to in April 1984 between the City; the Metro East Sanitary District; Madison County, Illinois; and the Village of Glen Carbon, Illinois, the Wastewater Treatment Plant began to accept and treat wastewater from the Lansdown Service Area of the Metro East Sanitary District, Madison County Special Service Area No. 1, and from the Village of Glen Carbon, Illinois. The participants have agreed to purchase wastewater treatment services from the City at rates and charges established by the Granite City Regional Treatment Board. The rates and charges are intended to allocate the cost of services provided to each participant based on percentage of flow and wastewater content, which will reduce the City's operation cost burden. Total revenue earned by the Wastewater Treatment Plant Enterprise Fund from the three regional participants for the year ended April 30, 2010 was \$2,372,090.

NOTE 8. TRANSFERS

Transfers are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis. Resources are accumulated in a fund to support and simplify the administration of various projects or programs.

NOTE 9. LINE ITEM EXPENDITURES IN EXCESS OF BUDGET

During the year ended April 30, 2010, the City's expenditures exceeded budgetary guidelines in several departmental and line item categories as indicated on the required supplementary schedules at pages 40 to 42.

NOTE 10. TAX INCREMENT FINANCING SPECIAL REVENUE FUND

On July 1, 1986, the City adopted and approved a Tax Increment Redevelopment Plan and Project and ordinances adopting Tax Increment Financing, aimed at financing, through incremental property and sales taxes, the public improvements of a plan to revitalize and develop a designated Redevelopment Project area in the City's Downtown Central Business District. On September 23, 1997, the City adopted and approved an Industrial Park Conservation Area Redevelopment Plan that also will use Tax Increment Financing to develop the project area along Route 3 as an industrial park. Four additional TIF Districts have also been formed that allows the incremental taxes to be returned to the business that generates the increment as a reimbursement for capital outlay until expiration of the TIF or a predetermined minimum dollar amount is reimbursed by the City.

In May of 2005, the Nameoki Village Tax Increment Financing District of the City issued a TIF Revenue Note, Series 2005 for \$700,000 and two Consumer Tax Revenue Notes, Series 2005 (Phase 1 for \$1,400,000 and Phase 2 for \$3,400,000). These notes were issued for the purpose of paying a portion of the costs of redevelopment projects in the Nameoki TIF and Business Districts. A portion, \$1,280,000, of the Consumer Tax Revenue Notes was retired by \$1,635,000 in Special Business District Sales Tax Revenue Bonds issued by the Southwestern Illinois Development Authority.

The TIF Revenue Note, Consumer Tax Revenue Notes and the Special Business District Sales Tax Revenue Bonds are payable solely from the incremental taxes or from other taxes generated by the development and are not an obligation of the City.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2010

NOTE 11. CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2010 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets, not being Depreciated:				
Land	\$ 8,932,047	\$ 281,087	\$ (1,870)	\$ 9,211,264
Construction in Process	12,824,576	11,225,623	-	24,050,199
Total Capital Assets Not Being Depreciated	<u>21,756,623</u>	<u>11,506,710</u>	<u>(1,870)</u>	<u>33,261,463</u>
Capital Assets, being Depreciated				
Buildings and Improvements	8,129,307	-	-	8,129,307
Equipment	6,094,629	45,879	-	6,140,508
Vehicles	4,629,261	50,687	(71,828)	4,608,120
Total Capital Assets being Depreciated	<u>18,853,197</u>	<u>96,566</u>	<u>(71,828)</u>	<u>18,877,935</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	2,896,081	192,341	-	3,088,422
Equipment	3,675,657	349,911	-	4,025,568
Vehicles	3,728,562	214,064	(71,828)	3,870,798
Total Accumulated Depreciation	<u>10,300,300</u>	<u>756,316</u>	<u>(71,828)</u>	<u>10,984,788</u>
Total Capital Assets being Depreciated, Net	<u>8,552,897</u>	<u>(659,750)</u>	<u>-</u>	<u>7,893,147</u>
Governmental Activities Capital Assets, Net	<u>\$ 30,309,520</u>	<u>\$ 10,846,960</u>	<u>\$ (1,870)</u>	<u>\$ 41,154,610</u>
Business-Type Activities				
Capital Assets:				
Construction in Process	\$ 759,805	\$ 1,708,972	\$ -	\$ 2,468,777
Buildings	1,728,589	-	-	1,728,589
Treatment Facility	30,718,333	752,511	-	31,470,844
Equipment	1,866,277	-	-	1,866,277
Vehicles	1,222,889	100,266	(63,084)	1,260,071
Total Capital Assets	<u>36,295,893</u>	<u>2,561,749</u>	<u>(63,084)</u>	<u>38,794,558</u>
Less Accumulated Depreciation for:				
Buildings	1,639,713	8,099	-	1,647,812
Treatment Facility	17,575,741	527,697	-	18,103,438
Equipment	1,388,032	100,077	-	1,488,109
Vehicles	1,164,606	27,833	(63,084)	1,129,355
Total Accumulated Depreciation	<u>21,768,092</u>	<u>663,706</u>	<u>(63,084)</u>	<u>22,368,714</u>
Business-Type Activities Capital Assets, Net	<u>\$ 14,527,801</u>	<u>\$ 1,898,043</u>	<u>\$ -</u>	<u>\$ 16,425,844</u>

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2010

NOTE 11. CAPITAL ASSETS (Continued)

Depreciation expense was charge to the various functions/programs of the City as follows:

Governmental Activities:	
General Government	\$ 198,222
Public Safety	441,726
Public Works	116,368
Total Depreciation Expense - Governmental Activities	<u>\$ 756,316</u>
Business-Type Activities:	
Wastewater Treatment Plant	\$ 575,315
Sewer System Fund	88,391
Total Depreciation Expense - Business-Type Activities	<u>\$ 663,706</u>

NOTE 12. COMMITMENTS

A commitment under a lease agreement for the wastewater treatment plant provides for minimum annual rental payments as follows:

<u>Year</u> <u>Ending</u> <u>April 30.</u>	<u>Land</u> <u>Facilities</u>
2011	\$ 5,525
2012	5,525
2013	4,150
Total	<u>\$ 15,200</u>

NOTE 13. CONDUIT DEBT OBLIGATIONS

During the year ended April 30, 2007, the City issued two Industrial Project Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. The bonds for the two projects are \$1,800,000 and \$2,650,000 respectively. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entities served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

During the year ended April 30, 2006, the City issued \$1,000,000 of Industrial Project Revenue Bonds to provide financial assistance to a private-sector entity for the acquisition and construction of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, these bonds are also not reported as liabilities in the accompanying financial statements.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2010

NOTE 14. LONG-TERM DEBT

The City was awarded a \$3,558,682 loan in July 1990 through the State of Illinois Environmental Protection Agency Water Pollution Control Revolving Fund. This loan financed a program of rehabilitation of Nameoki Area Sewers by means of cured-in-place linings inserted into sewer lines which were identified as being routinely below the water table and susceptible to infiltration and collapse. Payments are due semiannually on February 1 and August 1 through February 2012, including interest at 3.745%. The balance of the loan at April 30, 2010 is \$487,555.

The City was awarded a second loan of \$3,938,240 through the State of Illinois Environment Protection Agency Bureau of Water in August 2003. This loan financed the upgrade of the City's Regional Wastewater Treatment Facilities. Payments are due semiannually on January 27 and July 27 through January 2025, including interest at 2.50%. As of April 30, 2010, the balance outstanding on the loan was \$3,209,717.

The City was awarded a third loan of \$1,660,939 through the State of Illinois Environment Protection Agency Bureau of Water in October 2008. As of April 30, 2010, the City borrowed \$1,030,264 on this loan for manhole and sewer projects. The projects are still in process as of April 30, 2010. Payments are due semiannually on March 1 and September 1 through September 2029, including interest at 2.50%. As of April 30, 2010, the balance outstanding on the loan was \$1,030,264.

The City entered into a lease purchase agreement with the Bank of Edwardsville for an ambulance in December 2007. The agreement was for \$97,500 and is to be repaid in 3 installments of \$32,500 plus interest at 4.74%. The balance of the loan at April 30, 2010 is \$-0-.

The City entered into a loan with the Illinois Department of Transportation (IDOT) to construct rail track in the new industrial park in May 1999. The loan of \$725,914 is to be repaid by twenty annual installments through May 24, 2019. The annual installments, including interest at 3.00%, are \$48,793. The balance of the loan at April 30, 2010 is \$416,213.

The City entered into a loan with Ford Motor Credit to purchase two police vehicles in January 2009. The loan of \$103,942 is to be repaid in three annual installments through January 2010. The annual installments, including interest at 5.60%, are \$36,551. The balance of the loan at April 30, 2010 is \$-0-.

The City entered into a loan with Ford Motor Credit to purchase a two police vehicles in October 2008. The loan of \$55,077 is to be repaid in three annual installments through October 2010. The annual installments, including interest at 7.05%, are \$19,491. The balance of the loan at April 30, 2010 is \$18,337.

The City entered into a loan with Ford Motor Credit to purchase two police vehicles January 2009. The loan of \$53,459 is to be repaid in three annual installments through January 2011. The annual installments, including interest at 7.05%, are \$19,046. The balance of the loan at April 30, 2010 is \$17,793.

The City entered into a loan with Madison County Community Development to purchase fire truck in December 2008. The loan of \$297,007 is to be repaid in five annual installments through December 2013. The annual installments, including interest at 3.00%, are \$64,853. The balance of the loan at April 30, 2010 is \$241,064.

The City entered into a lease purchase agreement with Marquette Bank – Government Capital Corp to purchase a law enforcement computer system in June 2008. The loan of \$297,204 is to be repaid in five annual installments through July 2012. The annual installments, including interest at 5.0%, are \$65,372. The balance of the loan at April 30, 2010 is \$178,040.

The City entered into a lease purchase with Caterpillar Financial to purchase a paver, trailer and drum compactor for the Public Works Department in June 2006. The loan of \$318,208 is to be repaid in seven annual installments through June 2012. The annual installments, including interest at 5.385%, are \$52,914. The balance of the loan at April 30, 2010 is \$143,060.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2010

NOTE 14. LONG-TERM DEBT (Continued)

The City entered into a loan with Kansas State Bank to purchase a Mack truck in November 2009. The loan of \$85,095 is to be repaid in three annual installments through November 2011, with the first installment due at signing. The annual installments, including interest at 4.00%, are \$29,484. The balance of the loan at April 30, 2010 is \$56,279.

The City issued Local Government Program Revenue Bonds in September 2008. The bonds, totaling \$9,780,000 are payable from the incremental taxes of the Downtown Tax Increment Financing District (TIF 1). The bonds bear interest of between 4.5% and 7.0% and mature in varying amounts from 2009 to 2022. The proceeds of the bond are to be used to finance redevelopment projects in the Downtown Tax Increment Financing District including renovations of the police and fire department, improvements to the youth center and YMCA and construction of a movie theater. The balance of the bonds at April 30, 2010 is \$9,495,000.

The City issued Southwestern Illinois Development Authority Local Government Program Revenue Bonds, Series 2009 (City of Granite City Project) in May 2009. The bonds, totaling \$3,640,000 are payable from the incremental taxes of the Route 3 Corridor Tax Increment Financing District (TIF 4). The bonds bear interest of 8.00% and mature in varying amounts from 2009 to 2019. The proceeds of the bond are to be used to finance redevelopment projects in the Route 3 Corridor Industrial Park Conservation Area including construction of commercial and retail development including a Lowe's Home Improvement store along with eight outlots. The balance of the bonds at April 30, 2010 is \$3,395,000.

The City issued Southwestern Illinois Development Authority Local Government Program Revenue Bonds, Series 2009-B (City of Granite City Project) in December 2009. The bonds, totaling \$3,805,000 are payable from the incremental taxes of the Route 3 Corridor Tax Increment Financing District (TIF 4). The bonds bear interest of 7.75% and mature in varying amounts from 2010 to 2022. The proceeds of the bond are to be used to finance redevelopment projects in the Route 3 Corridor Industrial Park Conservation Area including construction of water and sewer improvements, the construction of street improvements and related costs. The balance of the bonds at April 30, 2010 is \$3,805,000.

The City issued Local Government Program Revenue Bonds, Series 2009-A in December 2009. The bonds, totaling \$4,210,000 are payable from the incremental taxes of the Route 203 Tax Increment Financing District (TIF 7). The bonds bear interest of 7.75% and mature in varying amounts from 2010 to 2022. The proceeds of the bond are to be used to finance redevelopment projects in the Route 203 Redevelopment Project Area including construction of street improvements and related costs. The balance of the bonds at April 30, 2010 is \$4,210,000.

The annual requirements to retire the notes payable as of April 30, 2010 are as follows:

<u>Fiscal</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
<u>April 30,</u>				
2011	\$ 764,140	\$ 1,573,509	\$ 449,031	\$ 111,381
2012	1,144,811	1,516,907	514,389	96,026
2013	1,268,270	1,443,870	241,738	83,897
2014	1,278,826	1,361,594	246,522	79,112
2015	1,598,460	1,288,333	251,428	74,206
2016-2020	9,885,000	4,462,266	1,335,155	293,016
2021-2025	5,980,000	866,214	1,437,984	150,484
2026-2030	-	-	257,568	70,000
	<u>\$ 21,919,507</u>	<u>\$ 12,512,693</u>	<u>\$ 4,733,815</u>	<u>\$ 958,122</u>

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2010

NOTE 14. LONG-TERM DEBT (Continued)

The following is a summary of changes in long-term liabilities for the year ended April 30, 2010:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Government Activities:					
Bond Payable:					
Tax Increment Revenue					
Bonds Series 2008	\$ 9,780,000	\$ -	\$ 285,000	\$ 9,495,000	\$ 320,000
Tax Increment Revenue					
Bonds Series 2009-C	-	3,640,000	245,000	3,395,000	175,000
Tax Increment Revenue					
Bonds Series 2009-B	-	3,805,000	-	3,805,000	-
Tax Increment Revenue					
Bonds Series 2009-A	-	4,210,000	-	4,210,000	-
Less Deferred Amounts:					
For Issuance Discounts	(200,304)	(346,572)	27,014	(519,862)	(46,969)
Total Bond Payable	<u>9,579,696</u>	<u>11,308,428</u>	<u>557,014</u>	<u>20,385,138</u>	<u>448,031</u>
Notes Payable:					
Ford Motor Credit	104,612	-	68,482	36,130	36,130
IL Dept of Transportation	451,462	-	35,249	416,213	73,702
Caterpillar Financial	185,960	-	42,900	143,060	45,210
Bank of Edwardsville	32,500	-	32,500	-	-
Marquette Bank	231,832	-	53,792	178,040	56,479
Madison County	297,007	-	55,943	241,064	57,621
Total Long-Term Liabilities	<u>10,883,069</u>	<u>11,308,428</u>	<u>845,880</u>	<u>21,399,645</u>	<u>717,173</u>
Other Liabilities:					
Net Pension Obligation	7,419,538	3,218,772	-	10,638,310	-
Compensated Absences	2,823,565	1,044,076	1,015,379	2,852,262	591,195
Total Other Liabilities	<u>10,243,103</u>	<u>4,262,848</u>	<u>1,015,379</u>	<u>13,490,572</u>	<u>591,195</u>
Governmental Activities					
Long-Term Liabilities	<u>\$ 21,126,172</u>	<u>\$ 15,571,276</u>	<u>\$ 1,861,259</u>	<u>\$ 34,890,217</u>	<u>\$ 1,308,368</u>
Business-Type Activities:					
Notes Payable:					
IL EPA (1)	\$ 718,097	\$ -	\$ 230,542	\$ 487,555	\$ 239,255
IL EPA (2)	3,386,278	-	176,561	3,209,717	181,003
IL EPA (3)	-	1,030,264	-	1,030,264	51,513
Kansas State Bank	-	85,095	28,816	56,279	27,260
Total Notes Payable	<u>4,104,375</u>	<u>1,115,359</u>	<u>435,919</u>	<u>4,783,815</u>	<u>499,031</u>
Other Liabilities:					
Compensated Absences	<u>286,825</u>	<u>160,181</u>	<u>166,201</u>	<u>280,805</u>	<u>95,605</u>
Business-Type Activities					
Long-Term Liabilities	<u>\$ 4,391,200</u>	<u>\$ 1,275,540</u>	<u>\$ 602,120</u>	<u>\$ 5,064,620</u>	<u>\$ 594,636</u>

NOTE 15. DEFICIT NET ASSETS

The City has deficit net assets in the Capital Projects Fund as of April 30, 2010 of \$21,277.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO BASIC FINANCIAL STATEMENTS
APRIL 30, 2010

NOTE 16. LEASE REVENUE

The City of Granite City leases certain properties to area businesses. These leases are non-cancelable operating leases. A summary of the leases is as follows:

<u>Location</u>	<u>Current Annual Payment</u>	<u>Expiration (Including Extensions)</u>
2679 Missouri Ave	\$ 12,000	November 2028
Iowa & 24th Street	3,900	September 2010
2001 Madison Avenue	226,600	January 2060
Signage	1,600	June 2011

Minimum rentals on non-cancelable leases for the next five years are as follows:

<u>Year</u>	<u>Amount</u>
2011	\$ 241,825
2012	238,600
2013	238,600
2014	238,600
2015	238,600
Thereafter	10,302,350
Total	<u>\$ 11,498,575</u>

NOTE 16. SUBSEQUENT EVENT

In November 2010, the City issued Local Government Program Revenue Bonds totaling \$3,485,000. The bonds are payable from the rates charged to the regional participants of the regional sanitary sewer system, bear interest between 2.0% and 4.2% and mature in varying amounts from 2011 to 2030.

The proceeds of the bond are to be used to finance the acquisition and construction of extensions, improvements, and additions to the sewer system, including but not limited to the construction of improvements to the wastewater treatment plant, and including related restoration, electrical, mechanical, and other services necessary, useful, or advisable to the acquisition and construction program.

CITY OF GRANITE CITY, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS) - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Receipts:				
Taxes	\$ 17,556,881	\$ 17,556,881	\$ 16,624,087	\$ (932,794)
Intergovernmental Revenue (Grants)	1,553,850	1,553,850	1,378,228	(175,622)
Charges for Services	2,279,700	2,279,700	2,738,676	458,976
Licenses and Permits	889,900	889,900	590,279	(299,621)
Fines and Forfeits	254,400	254,400	163,660	(90,740)
Investment Earnings	209,500	209,500	203,781	(5,719)
Miscellaneous	116,600	116,600	203,882	87,282
Total Receipts	<u>22,860,831</u>	<u>22,860,831</u>	<u>21,902,593</u>	<u>(958,238)</u>
Disbursements				
Mayor	753,933	753,933	670,722	83,211
Alderman	142,233	142,233	129,704	12,529
Clerk	284,542	284,542	302,744	(18,202)
Treasurer	267,638	267,638	287,548	(19,910)
Informational Technology	252,424	252,424	271,901	(19,477)
Financial	2,429,282	2,429,282	1,569,080	860,202
Police	7,144,933	7,144,933	7,140,898	4,035
Fire	6,315,365	6,315,365	6,229,827	85,538
Public Works	4,009,530	4,009,530	3,900,490	109,040
Building & Zoning	992,518	992,518	1,028,415	(35,897)
Safety and Risk	143,582	143,582	169,526	(25,944)
Civil Defense	51,809	51,809	43,071	8,738
Summer Help	53,825	53,825	78,731	(24,906)
Total Disbursements	<u>22,841,614</u>	<u>22,841,614</u>	<u>21,822,657</u>	<u>1,018,957</u>
Excess (Deficit) of Receipts over Disbursements	<u>19,217</u>	<u>19,217</u>	<u>79,936</u>	<u>60,719</u>
Other Financing Sources (Uses):				
Operating Transfers In (Out)	-	-	(718,452)	(718,452)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(718,452)</u>	<u>(718,452)</u>
Excess (Deficit) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	<u>\$ 19,217</u>	<u>\$ 19,217</u>	<u>(638,516)</u>	<u>\$ (657,733)</u>
Change in Intergovernmental Revenue on Modified Accrual Basis			296,644	
Change in Prepaid Insurance			63,830	
Change in Interest Receivable			(4,965)	
Change in Accrued Employee Obligations			(880,409)	
Change in Accounts Payable on Modified Accrual Basis			<u>(494,045)</u>	
As Reported on the Statement of Revenues, Expenditures and Changes in Fund Balance			<u>\$ (1,657,461)</u>	

CITY OF GRANITE CITY, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
MOTOR FUEL TAX FUND
FOR THE YEAR ENDED APRIL 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Receipts:				
Intergovernmental:				
Motor Fuel Tax	\$ 870,000	\$ 870,000	\$ 784,554	\$ (85,446)
Grants	5,000,000	5,000,000	5,853,369	853,369
Investment Earnings	23,000	23,000	20,285	(2,715)
Total Receipts	<u>5,893,000</u>	<u>5,893,000</u>	<u>6,658,208</u>	<u>\$ 765,208</u>
Disbursements				
Maintenance	400,000	400,000	599,419	(199,419)
Street Overlay Program	275,000	275,000	187,477	87,523
Engineering	25,000	25,000	23,404	1,596
Other Capital Projects	-	-	379,033	(379,033)
Pontoon Overpass	5,100,000	5,100,000	5,108,151	(8,151)
Total Disbursements	<u>5,800,000</u>	<u>5,800,000</u>	<u>6,297,484</u>	<u>(497,484)</u>
Excess (Deficit) of Receipts Over Disbursements	<u>\$ 93,000</u>	<u>\$ 93,000</u>	360,724	<u>\$ 267,724</u>
Change in Motor Fuel Tax Receivable on Modified Accrual Basis			5,392	
Change in Grant Receivable on Modified Accrual Basis			770,090	
Change in Interest Receivable			(606)	
Change in Accounts Payable on Modified Accrual Basis			<u>(779,763)</u>	
As Reported on the Statement of Revenues, Expenditures and Changes in Fund Balance			<u>\$ 355,837</u>	

CITY OF GRANITE CITY, ILLINOIS
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE (BUDGETARY BASIS)
TAX INCREMENT FINANCING FUND
FOR THE YEAR ENDED APRIL 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Budgetary Basis)</u>	<u>Favorable</u> <u>(Unfavorable)</u>
Receipts:				
Real Estate Taxes - Downtown	\$ 1,115,000	\$ 1,115,000	\$ 1,184,663	\$ 69,663
Real Estate Taxes - GCS	925,000	925,000	952,549	27,549
Real Estate Taxes - AS	125,000	125,000	126,507	1,507
Real Estate Taxes - Rt 3	1,128,500	1,128,500	1,147,028	18,528
Real Estate Taxes - Nameoki	-	-	208,243	208,243
Real Estate Taxes - Port	28,000	28,000	36,907	8,907
Real Estate Taxes - Rt 203	2,500	2,500	986	(1,514)
Sales Taxes	120,000	120,000	114,603	(5,397)
Rent	226,600	226,600	226,600	-
Grant	700,000	700,000	674,247	(25,753)
Investment Earnings	93,600	93,600	41,539	(52,061)
Other	29,000	29,000	7,332	(21,668)
Total Receipts	<u>4,493,200</u>	<u>4,493,200</u>	<u>4,721,204</u>	<u>228,004</u>
Disbursements				
Downtown TIF	6,290,000	6,290,000	5,259,036	1,030,964
Granite City Steel TIF	925,000	925,000	952,514	(27,514)
American Steel TIF	125,000	125,000	126,502	(1,502)
Route 3 TIF	1,165,500	1,165,500	8,158,135	(6,992,635)
Nameoki Village TIF	140,000	140,000	315,072	(175,072)
Port District TIF	28,000	28,000	668	27,332
Route 203 TIF	1,400,000	1,400,000	1,506,747	(106,747)
Total Disbursements	<u>10,073,500</u>	<u>10,073,500</u>	<u>16,318,674</u>	<u>(6,245,174)</u>
Excess (Deficit) of Receipts Over Disbursements	<u>(5,580,300)</u>	<u>(5,580,300)</u>	<u>(11,597,470)</u>	<u>(6,017,170)</u>
Other Financing Sources (Uses):				
Proceeds From Borrowings	-	-	11,655,000	(11,655,000)
Repayment of Borrowings	-	-	(530,000)	(530,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>11,125,000</u>	<u>(12,185,000)</u>
Excess (Deficit) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	<u>\$ (5,580,300)</u>	<u>\$ (5,580,300)</u>	<u>(472,470)</u>	<u>\$ (18,202,170)</u>
Change in Revenue on Modified Accrual Basis			(2,898)	
Change in Accounts Payable on Modified Accrual Basis			(688,414)	
Change in Interest Receivable			(2,518)	
Change in Real Estate Investment			<u>268,213</u>	
As Reported on the Statement of Revenues, Expenditures and Changes in Fund Balance			<u>\$ (898,087)</u>	

CITY OF GRANITE CITY, ILLINOIS
EMPLOYER NUMBER - 03353R
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FIRE AND POLICE PENSION
FUNDING PROGRESS
APRIL 30, 2010

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial Accrued</u> <u>Liability</u> <u>(AAL)</u> <u>-Entry Age</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(UAAL)</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a/b)</u>	<u>Covered</u> <u>Payroll</u> <u>(c.)</u>	<u>UAAL as a</u> <u>Percentage</u> <u>of Covered</u> <u>Payroll</u> <u>((b-a)/c)</u>
Police Pension						
04/30/09	\$ 12,632,001	\$ 40,991,744	\$ 28,359,743	30.82%	\$ 3,470,340	817.20%
04/30/08	15,670,001	39,273,366	23,603,365	39.90%	3,328,974	709.03%
04/30/07	16,827,903	37,715,990	20,888,087	44.62%	2,961,777	705.26%
Fire Pension						
04/30/09	\$ 15,346,426	\$ 45,449,959	\$ 30,103,533	33.77%	\$ 3,597,302	836.84%
04/30/08	18,735,007	43,281,975	24,546,968	43.29%	3,493,965	702.55%
04/30/07	19,072,129	39,539,794	20,467,665	48.24%	3,126,964	654.55%

CITY OF GRANITE CITY, ILLINOIS
EMPLOYER NUMBER - 03353R
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF ILLINOIS MUNICIPAL RETIREMENT
FUNDING PROGRESS
APRIL 30, 2010

<u>Actuarial</u>	<u>Actuarial</u>	<u>Actuarial Accrued</u>	<u>Unfunded</u>	<u>Funded</u>	<u>Covered</u>	<u>UAAL as a</u>
<u>Valuation</u>	<u>Value of</u>	<u>Liability</u>	<u>AAL</u>	<u>Ratio</u>	<u>Payroll</u>	<u>Percentage</u>
<u>Date</u>	<u>Assets</u>	<u>Entry Age</u>	<u>(UAAL)</u>	<u>(a/b)</u>	<u>(c.)</u>	<u>of Covered</u>
	<u>(a)</u>	<u>(b)</u>	<u>(b-a)</u>			<u>Payroll</u>
						<u>((b-a)/c)</u>
12/31/09	\$ 13,751,316	\$ 17,442,056	\$ 3,690,740	78.84%	\$ 5,878,221	62.79%
12/31/08	13,407,584	16,190,503	2,782,919	82.81%	5,870,847	47.40%
12/31/07	16,217,347	15,472,923	(744,424)	104.81%	5,449,581	0.00%

On a market value basis, the actuarial value of assets as of December 31, 2009 is \$13,269,245. On a market basis, the funded ratio would be 76.08%.

CITY OF GRANITE CITY, ILLINOIS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
APRIL 30, 2010

	Special Revenue Funds				Debt Service	Total Non-Major Governmental Funds
	<u>Drug Traffic Prevention</u>	<u>Community Development</u>	<u>Total</u>	<u>Capital Projects</u>		
Cash and Cash Equivalents	\$ 148,075	\$ -	\$ 148,075	\$ 12,503	\$ -	\$ 160,578
Investments	80,000	-	80,000	-	-	80,000
Receivables:						
Intergovernmental	-	49,893	49,893	-	-	49,893
Other	-	-	-	23	-	23
Due From Other Funds	-	-	-	10,484	-	10,484
Total Assets	\$ 228,075	\$ 49,893	\$ 277,968	\$ 23,010	\$ -	\$ 300,978
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts Payable	3,034	-	3,034	-	-	3,034
Due to Other Funds	49,683	49,893	99,576	44,287	-	143,863
Total Liabilities	52,717	49,893	102,610	44,287	-	146,897
Fund Balances:						
Unreserved	175,358	-	175,358	(21,277)	-	154,081
Total Fund Balances	175,358	-	175,358	(21,277)	-	154,081
Total Liabilities and Fund Balances	\$ 228,075	\$ 49,893	\$ 277,968	\$ 23,010	\$ -	\$ 300,978

CITY OF GRAFTON, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED APRIL 30, 2010

	<u>Special Revenue Funds</u>				<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Drug Traffic Prevention</u>	<u>Community Development</u>	<u>Total</u>				
Revenues:							
Intergovernmental	\$ 425,772	\$ 384,280	\$ 810,052	\$ -	-	\$ -	\$ 810,052
Fines and Forfeitures	23,399	-	23,399	-	-	-	23,399
Investment Earnings	365	-	365	127	-	-	492
Miscellaneous	3,782	-	3,782	-	-	-	3,782
Total Revenues	<u>453,318</u>	<u>384,280</u>	<u>837,598</u>	<u>127</u>	<u>-</u>	<u>-</u>	<u>837,725</u>
Expenditures:							
Public Safety	380,602	107,996	488,598	-	-	-	488,598
Public Works	-	276,284	276,284	-	-	-	276,284
Debt Service	-	-	-	-	-	324,744	324,744
Total Expenditures	<u>380,602</u>	<u>384,280</u>	<u>764,882</u>	<u>-</u>	<u>-</u>	<u>324,744</u>	<u>1,089,626</u>
Revenues Over (Under) Expenditures	<u>72,716</u>	<u>-</u>	<u>72,716</u>	<u>127</u>	<u>(324,744)</u>	<u>-</u>	<u>(251,901)</u>
Other Financing Sources:							
Operating Transfer In	-	-	-	-	-	324,744	324,744
Total other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>324,744</u>	<u>324,744</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing	<u>72,716</u>	<u>-</u>	<u>72,716</u>	<u>127</u>	<u>-</u>	<u>-</u>	<u>72,843</u>
Fund Balances - Beginning	<u>102,642</u>	<u>-</u>	<u>102,642</u>	<u>(21,404)</u>	<u>-</u>	<u>-</u>	<u>81,238</u>
Fund Balance - Ending	<u>\$ 175,358</u>	<u>\$ -</u>	<u>\$ 175,358</u>	<u>\$ (21,277)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 154,081</u>

CITY OF GRAFTON, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
PROPRIETARY FUND TYPES
YEAR ENDED APRIL 30, 2010

	Business Type Activities Enterprise Funds		Total
	<u>Waterwater</u> <u>Treatment</u> <u>Plant</u>	<u>Sewer</u> <u>System</u> <u>Fund</u>	Enterprise Funds
Operating Revenues:			
Charges for Services	\$ 5,055,197	\$ 2,305,916	\$ 7,361,113
Total Revenues	<u>5,055,197</u>	<u>2,305,916</u>	<u>7,361,113</u>
Operating Expenses:			
Personal Services	2,589,405	-	2,589,405
Industrial Pretreatment	-	86,061	86,061
Billings and Collection	41,936	114,148	156,084
Sewer Collection	-	611,280	611,280
Solids Handling	620,587	-	620,587
BOD Treatment	295,865	-	295,865
Primary Treatment	32,232	-	32,232
General and Administrative	201,674	-	201,674
Dry Weather Pumping	195,231	-	195,231
Wet Weather Pumping	124,342	-	124,342
Other	45,116	-	45,116
Depreciation	575,315	88,391	663,706
Total Operating Expenses	<u>4,721,703</u>	<u>899,880</u>	<u>5,621,583</u>
Operating Income	<u>333,494</u>	<u>1,406,036</u>	<u>1,739,530</u>
Non-Operating Revenueus (Expenses):			
Investment Earnings	18,458	16,653	35,111
Grant Income	-	424,525	424,525
Interest Expense and Fiscal Charges	(109,272)	-	(109,272)
Operating Transfers From (To) Other Funds	-	491,294	491,294
Total Non-Operating Revenueus (Expenses)	<u>(90,814)</u>	<u>932,472</u>	<u>841,658</u>
Change in Net Assets	242,680	2,338,508	2,581,188
Net Assets - Beginning	<u>10,582,542</u>	<u>4,248,062</u>	<u>14,830,604</u>
Net Assets - Ending	<u>\$ 10,825,222</u>	<u>\$ 6,586,570</u>	<u>\$ 17,411,792</u>

CITY OF GRANITE CITY, ILLINOIS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
APRIL 30, 2010

		<u>Pension Trust Funds</u>		
		<u>Police</u>	<u>Firemen</u>	<u>Total</u>
ASSETS				
Cash and Cash Equivalents		\$ 529,261	\$ 743,563	\$ 1,272,824
Investments and Certificates of Deposits		13,807,352	15,470,694	29,278,046
Receivables:				
Property Taxes		294,393	493,510	787,903
Accrued Interest		63,597	65,891	129,488
Total Assets		<u>14,694,603</u>	<u>16,773,658</u>	<u>31,468,261</u>
LIABILITIES				
Liabilities		<u>50</u>	<u>-</u>	<u>50</u>
Total Liabilities		<u>50</u>	<u>-</u>	<u>50</u>
NET ASSETS				
Held in Trust for Pension Benefits and Other Purposes		<u>\$ 14,694,553</u>	<u>\$ 16,773,658</u>	<u>\$ 31,468,211</u>

CITY OF GRANITE CITY, ILLINOIS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE YEAR ENDED APRIL 30, 2010

	<u>Pension Trust Funds</u>		
	<u>Police</u>	<u>Firemen</u>	<u>Total</u>
Additions			
Contributions:			
Employee Contributions	\$ 309,473	\$ 358,250	\$ 667,723
Employer Contributions:			
Property Taxes	291,365	488,431	779,796
Replacement Taxes	345,002	369,874	714,876
Total Contributions	<u>945,840</u>	<u>1,216,555</u>	<u>2,162,395</u>
Investment Income:			
Interest and Dividends	359,834	382,513	742,347
Net Realized/Unrealized Gain(Loss) on Investments	<u>2,207,305</u>	<u>2,074,336</u>	<u>4,281,641</u>
	2,567,139	2,456,849	5,023,988
Less: Investment Expense	(35,434)	(64,964)	(100,398)
Total Investment Income	<u>2,531,705</u>	<u>2,391,885</u>	<u>4,923,590</u>
Total Additions	<u>3,477,545</u>	<u>3,608,440</u>	<u>7,085,985</u>
Deductions:			
Benefit Payments	2,003,751	2,344,581	4,348,332
Contractual Services	<u>37,437</u>	<u>21,032</u>	<u>58,469</u>
Total Deductions	<u>2,041,188</u>	<u>2,365,613</u>	<u>4,406,801</u>
Change in Net Assets	1,436,357	1,242,827	2,679,184
Net Assets - Beginning	<u>13,258,196</u>	<u>15,530,831</u>	<u>28,789,027</u>
Net Assets - Ending	<u>\$ 14,694,553</u>	<u>\$ 16,773,658</u>	<u>\$ 31,468,211</u>

CITY OF GRANITE CITY, ILLINOIS
COMBINING BALANCE SHEET
TAX INCREMENT FINANCING FUNDS
APRIL 30, 2010

	TIF District #1	TIF District #2	TIF District #3	TIF District #4	TIF District #5	TIF District #6	TIF District #7	Total	TIF Debt Service	Total
<u>Assets</u>										
Cash	\$ (274,687)	\$ 125,112	\$ 353	\$ 823,035	\$ 4,260	\$ 38,662	\$ (177,468)	\$ 539,267	\$ -	\$ 539,267
Restricted Investments	1,552,570	-	-	152,784	-	-	2,517,679	4,223,033	3,073,334	7,296,367
Receivables:										
Property Taxes	1,192,016	129,980	978,705	1,153,546	213,961	94,381	280,637	4,043,226	-	4,043,226
Intergovernmental Receivable	-	-	-	-	29,816	-	301,320	331,136	-	331,136
Development Loans	50,231	-	-	-	-	-	-	50,231	-	50,231
Accrued Interest	-	-	-	1,487	8	69	-	1,564	-	1,564
Due from Other Funds	-	-	-	-	2,760	-	-	2,760	-	2,760
Rental Real Estate Investment	2,667,631	-	-	-	-	-	-	2,667,631	-	2,667,631
General Real Estate Investment	1,452,729	-	-	76,887	-	-	-	1,529,616	-	1,529,616
Total Assets	6,640,490	255,092	979,058	2,207,739	250,805	133,112	2,922,168	13,388,464	3,073,334	16,461,798
<u>Liabilities and Fund Balance</u>										
Liabilities:										
Accounts Payable	900,916	-	-	502,960	-	-	47,356	1,451,232	-	1,451,232
Due to Other Funds	2,760	-	-	12,480	-	-	-	15,240	-	15,240
Due to Other Governments	-	-	-	-	2,760	-	-	2,760	-	2,760
Deferred Revenues:										
Gain on Sale of Property	35,381	-	-	-	-	-	-	35,381	-	35,381
Property Taxes	1,192,016	129,980	978,705	1,153,546	213,961	94,381	280,637	4,043,226	-	4,043,226
Total Liabilities	2,131,073	129,980	978,705	1,668,986	216,721	94,381	327,993	5,547,839	-	5,547,839
Fund Balance:										
Restricted:										
Restricted for Debt Service	-	-	-	-	-	-	-	-	3,073,334	3,073,334
Restricted for Redevelopment	1,552,570	-	-	152,784	-	-	2,517,679	4,223,033	-	4,223,033
Reserved:										
Designated for Redevelopment	2,956,847	125,112	353	385,969	34,084	38,731	76,496	3,617,592	-	3,617,592
Total Fund Balance	4,509,417	125,112	353	538,753	34,084	38,731	2,594,175	7,840,625	3,073,334	10,913,959
Total Liabilities and Fund Balance	\$ 6,640,490	\$ 255,092	\$ 979,058	\$ 2,207,739	\$ 250,805	\$ 133,112	\$ 2,922,168	\$ 13,388,464	\$ 3,073,334	\$ 16,461,798

CITY OF GRANITE CITY, ILLINOIS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
TAX INCREMENT FINANCING FUNDS
FOR THE FISCAL YEAR ENDED APRIL 30, 2010

	TIF District #1	TIF District #2	TIF District #3	TIF District #4	TIF District #5	TIF District #6	TIF District #7	Total	TIF Debt Service	Total
<u>Revenues:</u>										
Property Taxes	\$ 1,184,663	\$ 126,507	\$ 952,549	\$ 1,147,028	\$ 208,243	\$ 36,907	\$ 986	\$ 3,656,883	\$ -	\$ 3,656,883
Intergovernmental	-	-	-	-	114,603	-	674,247	788,850	-	788,850
Investment Earnings	5,690	-	-	29,440	308	188	3,395	39,021	-	39,021
Miscellaneous	229,367	-	-	1,667	-	-	-	231,034	-	231,034
Total Revenues	1,419,720	126,507	952,549	1,178,135	323,154	37,095	678,628	4,715,788	-	4,715,788
<u>Expenditures:</u>										
General Government	457,836	126,502	952,514	648,862	315,072	-	-	2,500,786	-	2,500,786
Public Works	-	-	-	-	-	-	-	-	-	-
Debt Service - Interest	-	-	-	-	-	-	-	-	-	-
Debt Service - Principal	-	-	-	-	-	-	-	1,014,802	1,014,802	1,014,802
Bond Issuance Costs	-	-	-	-	-	-	-	530,000	530,000	530,000
Bond Administration Costs	-	-	-	200,364	-	-	111,587	311,951	-	311,951
Capital Outlay	4,037,278	-	-	7,200,000	-	668	1,221,932	12,459,878	7,300	7,300
Total Expenditures	4,495,114	126,502	952,514	8,049,226	315,072	668	1,333,519	15,272,615	1,552,102	16,824,717
Excess of Revenues over Expenditures	(3,075,394)	5	35	(6,871,091)	8,082	36,427	(654,891)	(10,556,827)	(1,552,102)	(12,108,929)
<u>Other Financing Sources (Uses):</u>										
Proceeds From Borrowings	-	-	-	7,445,000	-	-	4,210,000	11,655,000	-	11,655,000
and Discount	-	-	-	(275,002)	-	-	(71,570)	(346,572)	-	(346,572)
Operating Transfers From (To) other Funds	(954,557)	-	-	(1,449,034)	-	-	(883,341)	(3,286,932)	3,189,346	(97,586)
Total Other Financing Sources (Uses)	(954,557)	-	-	5,720,964	-	-	3,255,089	8,021,496	3,189,346	11,210,842
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(4,029,951)	5	35	(1,150,127)	8,082	36,427	2,600,198	(2,535,331)	1,637,244	(898,087)
and Balance - Beginning	8,539,368	125,107	318	1,688,880	26,002	2,304	(6,023)	10,375,956	1,436,090	11,812,046
and Balance (Deficit) - Ending	\$ 4,509,417	\$ 125,112	\$ 353	\$ 538,753	\$ 34,084	\$ 38,731	\$ 2,594,175	\$ 7,840,625	\$ 3,073,334	\$ 10,913,959

Hughes & Associates

Certified Public Accountants, P.C.

1321 D'Adrian Professional Park
Godfrey, IL 62035

618-466-6278
Fax 618-466-8663

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH TAX INCREMENT FINANCING ACT

To the Honorable Mayor and
City Council of the City of
Granite City, Illinois

We have audited the basic financial statements of the City of Granite City, Illinois for the year ended April 30, 2010, and have issued our report thereon dated November 30, 2010. The financial statements are the responsibility of the City of Granite City, Illinois' management. Our responsibility is to express an opinion on the financial statements based on our audit.

Our audit was made in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The management of the City of Granite City, Illinois is responsible for the government's compliance with laws and regulations. In connection with our audit, referred to above, we selected and tested transactions and records to determine the government's compliance with State of Illinois Public Act 85-1142, "An Act in Relation to Tax Increment Financing".

The results of our tests indicate that for the items tested, the City of Granite City, Illinois, complied with Subsection (q) of Section 11-74.4-3 of Public Act 85-1142. Nothing came to our attention that caused us to believe that, for the items not tested, the City of Granite City, Illinois was not in compliance with Subsection (q) of Section 11-74.4-3 of Public Act 85-1142.

This report is intended solely for the information and use of management, others within the organization, the City Council and the Illinois Department of Revenue and is not intended to be and should not be used by anyone other than these specified parties.

Hughes & Associates, CPA, P.C.

Hughes & Associates, CPA, P.C.
November 30, 2010

Hughes & Associates

Certified Public Accountants, P.C.

1321 D'Adrian Professional Park
Godfrey, IL 62035

618-466-6278
Fax 618-466-8663

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable Mayor and
City Council of the City of
Granite City, Illinois

We have audited the financial statements of the City of Granite City, Illinois, as of and for the year ended April 30, 2010, and have issued our report thereon dated November 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Granite City, Illinois' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion of the effectiveness of the City of Granite City, Illinois' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Granite City, Illinois' internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Granite City, Illinois' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of the City of Granite City, Illinois in a separate letter dated November 30, 2010.

This report is intended solely for the information and use of the Village Council, the Mayor, the management and federal awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Hughes & Associates, CPA, P.C.

Hughes & Associates, CPA, P.C.
Godfrey, Illinois
November 30, 2010

Hughes & Associates

Certified Public Accountants, P.C.

1321 D'Adrian Professional Park
Godfrey, IL 62035

618-466-6278
Fax 618-466-8663

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable Mayor and
City Council of the City of
Granite City, Illinois

Compliance

We have audited the compliance of the City of Granite City, Illinois, with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended April 30, 2010. The City of Granite City, Illinois' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Granite City, Illinois' management. Our responsibility is to express an opinion on the City of Granite City, Illinois' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those Standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Granite City, Illinois' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Granite City, Illinois' compliance with those requirements.

In our opinion, the City of Granite City, Illinois, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended April 30, 2010.

Internal Control Over Compliance

Management of the City of Granite City, Illinois, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Granite City, Illinois' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of the City of Granite City, Illinois' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we would consider to be material weaknesses, as defined above.

This report is intended for the information and use of the City Council, the Mayor, management and federal awarding agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Hughes & Associates, CPA, P.C.

Hughes & Associates, CPA, P.C.
Godfrey, Illinois
November 30, 2010

CITY OF GRANITE CITY, ILLINOIS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED APRIL 30, 2010

<u>Federal Grantor and Program Title</u>	<u>Federal CFDA Number</u>	<u>Agreement Number</u>	<u>Pass-Through Grantor Number</u>	<u>Federal Expenditures</u>
<u>Department of Justice</u>				
Direct Programs:				
Equitable Sharing of Federally Forfeited Property	16.XXX	N/A		154,502
Public Safety Partnership and Community Policing Grant				
COPS Hiring Recovery Program Grant	16.710	2009RKWX0333		128,596
Public Safety Partnership and Community Policing Grant				
COPS Secure Our Schools (SOS) Grant	16.710	2008CKWX0656		202,279
Total Department of Justice Direct Programs				<u>485,377</u>
<u>Department of Homeland Security</u>				
Direct Programs:				
Assistance to Firefighters Grant (SAFER)	97.044	EMW-2006-FF-04605		55,890
Assistance to Firefighters Grant Program	97.044	EMW-2008-FO-04034		15,827
Total Direct Programs				<u>71,717</u>
Pass-through Program From				
Illinois Emergency Management Agency				
Disaster Grants - Public Assistance	97.036	N/A	1771-119-03926-00	318,646
Emergency Management Performance Grants	97.042	N/A		12,684
Total Pass-through Programs				<u>331,330</u>
Total Department of Homeland Security				<u>403,047</u>
Total Expenditures of Federal Awards				<u>\$ 888,424</u>

See accompanying notes to the basic financial statements.

CITY OF GRANITE CITY, ILLINOIS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED APRIL 30, 2010

NOTE 1. BASIS OF PRESENTATION

General

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Granite City, Illinois and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Noncash Assistance, Federal Insurance and Loans/Loan Guarantees

The City did not receive any noncash assistance, federal guaranteed loans or federal insurance for any of its programs for the year ended April 30, 2010.

NOTE 2. INSURANCE

The City of Granite City had no insurance specifically required by federal awards.

NOTE 3. SUBRECIPIENTS

The City did not pass through any federal funds to subrecipients during the year ended April 30, 2010.

CITY OF GRANITE CITY, ILLINOIS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
APRIL 30, 2010

1. SUMMARY OF AUDITOR'S RESULTS

- a. The auditor's report expresses an unqualified opinion on the financial statements of the City.
- b. No material weaknesses in internal control were disclosed by the audit of the financial statements of the City.
- c. No significant deficiencies in internal control were disclosed by the audit of the financial statements of the City.
- d. No instances of noncompliance material to the financial statement of the City were disclosed during the audit.
- e. No reportable conditions in internal control over major federal award programs were disclosed during the audit of the financial statements of the City.
- f. The auditor's report on compliance for the major federal award programs for the City expresses an unqualified opinion on all major federal programs.
- g. The audit did not disclose any audit findings that are required to be reported under Section .510(a) of OMB Circular A-133.
- h. The City's program tested as a major program is the Disaster Grant – Public Assistance – CFDA #97.036 and Public Safety Partnership and Community Policing Grants – CFDA #16.710.
- i. The threshold for distinguishing between Type A and Type B programs was \$300,000.
- j. The City does not qualify as a low-risk auditee under Section .530 of OMB Circular A-133.

2. FINDINGS – FINANCIAL STATEMENTS AUDIT

The City has no findings to the financial statements that are required to be reported in accordance with Generally Accepted Government Auditing Standards.

3. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

The City has no findings or questioned costs for Federal award programs.